Pacific Northern Gas Ltd.
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Craig P. Donohue
Director, Regulatory Affairs & Gas Supply

Via E-Mail and Courier

October 31, 2011

B.C. Utilities Commission
6th Floor - 900 Howe Street
Vancouver, B.C.
V6Z 2N3

File No.: 4.2

Attention: Alanna Gillis
Acting Commission Secretary

Dear Ms. Gillis:

Re: AltaGas Utility Holdings (Pacific) Inc. ("AltaGas") Application for Approval to Acquire Pacific Northern Gas Ltd. ("PNG")

Enclosed are 20 copies of an application by AltaGas for B.C. Utilities Commission approval, pursuant to section 54 of the Utilities Commission Act, to acquire all the issued and outstanding common shares of PNG.

Please direct any questions regarding the enclosed application to my attention and to the attention of the AltaGas representative and outside legal counsel noted on the last page of the application.

Yours truly,

C.P. Donohue

cc by e-mail to Registered Interveners for the PNG-West and PNG(N.E.) 2011 RR Apps.

ALTAGAS UTILITY HOLDINGS (PACIFIC) INC.

APPLICATION TO THE BRITISH COLUMBIA UTILITIES COMMISSION
for
Approval to Acquire Pacific Northern Gas Ltd.

October 31, 2011

ALTAGAS UTILITY HOLDINGS (PACIFIC) INC.

Application to the British Columbia Utilities Commission
for
Approval to Acquire Pacific Northern Gas Ltd.

October 31, 2011

INDEX

IN THE MATTER OF the *Utilities Commission Act,* R.S.B.C. 1996, c. 473, as amended (the "**Act**")

- and -

IN THE MATTER OF an Application by AltaGas Utility Holdings (Pacific) Inc. for Approval of the Acquisition of the Issued and Outstanding Shares of Pacific Northern Gas Ltd.

To: British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, British ColumbiaV6Z 2N3

APPLICATION

AltaGas Utility Holdings (Pacific) Inc. ("**AltaGas**") hereby applies to the British Columbia Utilities Commission (the "**Commission**") pursuant to Section 54 of the Act for approval of the acquisition by AltaGas of the issued and outstanding shares of Pacific Northern Gas Ltd. ("**PNG**"). The acquisition of such shares of PNG will cause AltaGas to have indirect control of Pacific Northern Gas (N.E.) Ltd. ("**PNG(N.E.)**"), a wholly owned subsidiary of PNG.

A. BACKGROUND

1. AltaGas, AltaGas Ltd. and PNG have entered into an agreement dated effective as of October 30, 2011 (the "**Acquisition Agreement**") under which AltaGas has agreed to purchase all of the issued and outstanding common shares of PNG (the "**Transaction**").

2. PNG and PNG(N.E.) own and operate natural gas distribution businesses and are public utilities regulated by the Commission under the Act.

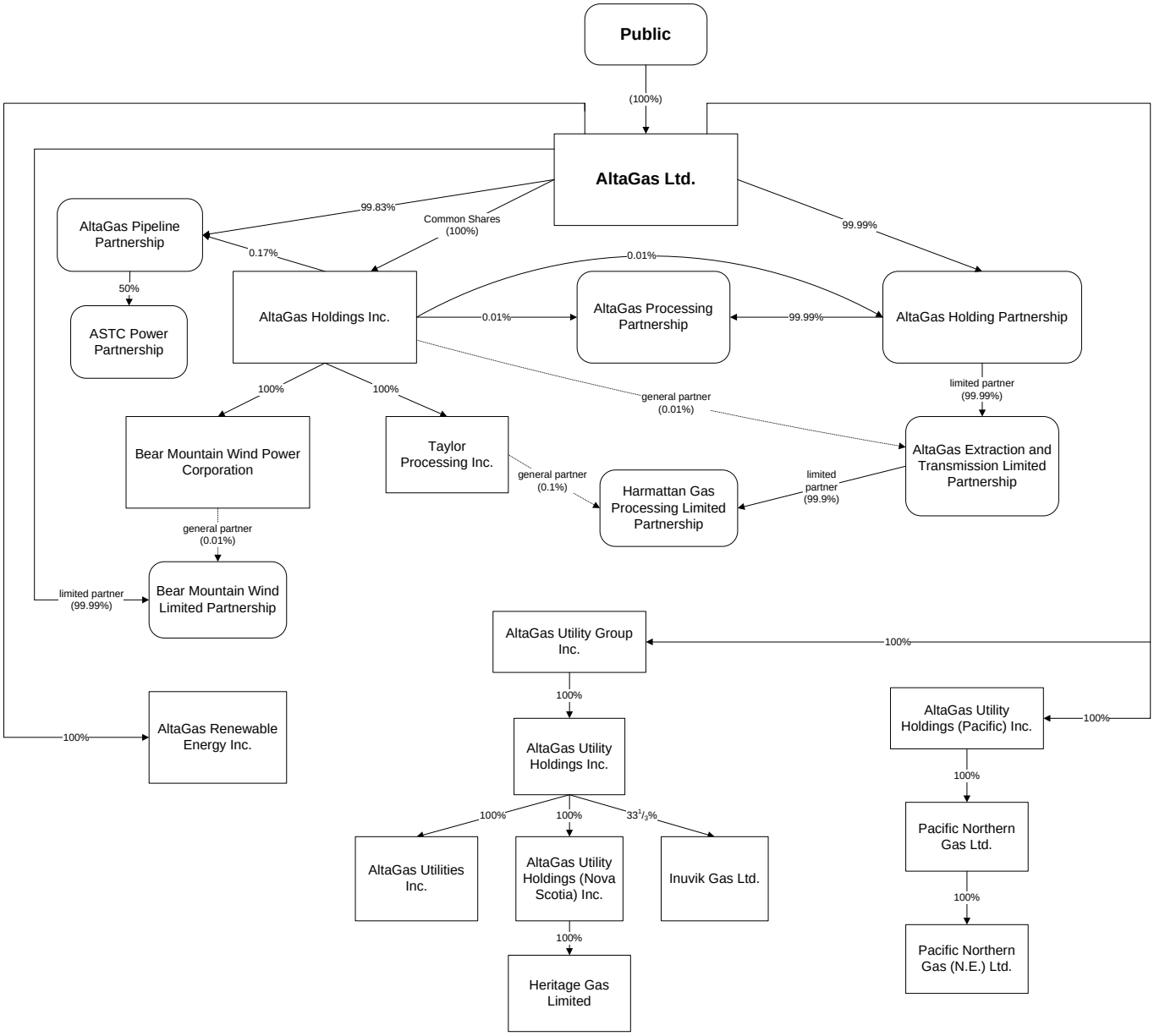
3. AltaGas is a direct wholly owned subsidiary of AltaGas Ltd.

4. AltaGas Ltd. will be using its existing credit facilities to fund AltaGas for the purpose of closing the Transaction.

B. SUMMARY OF THE TRANSACTION

5. Completion of the Transaction will result in PNG becoming a direct, wholly owned subsidiary of AltaGas, and PNG(N.E.) becoming an indirect, wholly owned subsidiary of AltaGas. Completion of the Transaction is subject to the receipt of all applicable governmental and regulatory approvals. The next page shows the corporate structure of AltaGas Ltd. and PNG after giving effect to the Transaction.

Corporate Structure of AltaGas Ltd. and PNG After Transaction



Note:

(1) Each corporation listed above (other than Taylor Processing Inc., AltaGas Renewable Energy Inc. and AltaGas Utility Holdings (Nova Scotia) Inc.) is a corporation incorporated or formed by amalgamation or continuance under the CBCA. Each of Taylor Processing Inc. and AltaGas Utility Holdings (Nova Scotia) Inc. is a corporation incorporated under the *Business Corporations Act* (Alberta) and AltaGas Renewable Energy Inc. is a corporation incorporated under the *Business Corporations Act* (British Columbia). Each partnership listed above (other than AltaGas Holding Partnership and Bear Mountain Wind Limited Partnership) was established under the laws of Alberta. AltaGas Holding Partnership was established under the laws of Ontario and Bear Mountain Wind Limited Partnership was established under the laws of British Columbia.

C. SUMMARY OF TERMS OF THE TRANSACTION

6. The terms of the Transaction are set out in the Acquisition Agreement, a copy of which is attached as Schedule "A" to this Application. The principal terms of the Transaction are as follows:

   (a) Price: The purchase price under the Acquisition Agreement is Cdn$36.75 per share for all of the issued and outstanding common shares of PNG.

   (b) Closing Conditions: Completion of the Transaction is subject to certain conditions, including the receipt of the regulatory approvals required in Canada under the Act and the *Competition Act* (Canada).

   (c) Effect of the Transaction: Upon closing of the Transaction, all of the issued and outstanding common shares of PNG will be transferred to AltaGas, resulting in PNG becoming a direct, wholly owned subsidiary of AltaGas. As a consequence, AltaGas will, at the time the Transaction is completed, acquire indirect control of PNG(N.E.).

7. AltaGas will not seek to recover from PNG or PNG(N.E.) customers any acquisition premium, or any fees incurred in connection with the Transaction.

D. ALTAGAS LTD. AND ALTAGAS

8. (a) AltaGas Ltd., through the original operations in Alberta of AltaGas Utilities Inc. ("**AUI**"), which AltaGas Ltd. continues to own, has been a distributor of natural gas for over 57 years. One of AltaGas Ltd.'s principal businesses is and will remain the long-term ownership and operation of regulated utilities.

   (b) AltaGas Ltd. has assets exceeding $2.9 billion and annual revenues of approximately $1.4 billion. The common shares of AltaGas Ltd. are traded on the Toronto Stock Exchange (the "**TSX**").

   (c) Through its direct wholly owned subsidiary AltaGas Utility Group Inc. ("**AUGI**"), AltaGas Ltd. has 100% ownership interests in two regulated utilities; namely AUI and Heritage Gas Limited ("**Heritage Gas**").

   (d) AltaGas was incorporated on October 27, 2011. AltaGas Ltd. was amalgamated on July 1, 2010 and its predecessor was incorporated on August 30, 1993 and commenced business on April 1, 1994. The address of the head office and principal place of business of AltaGas Ltd. is: 1700, 355 4th Ave. S.W., Calgary, AB, T2P 0J1. AltaGas and AltaGas Ltd. are extra-provincially registered in British Columbia.

   (e) AltaGas' only business at this time is the acquisition and ownership of PNG shares. AltaGas Ltd. is an energy infrastructure business with a focus on natural gas, power and regulated utilities.

(f) The goals of the AltaGas Utility Group are to operate sound utility systems and deliver safe, reliable service to its customers at reasonable rates.

AltaGas Ltd.'s Wholly Owned Regulated Utilities

AltaGas Utilities Inc.

9. AUI is an indirect, wholly owned subsidiary of AltaGas Ltd. with AltaGas Utility Holdings Inc. ("**AUHI**") holding all issued and outstanding shares of AUI. AUGI holds all issued and outstanding shares of AUHI, and AUGI is a direct, wholly owned subsidiary of AltaGas Ltd. AUI has operated as a provincially regulated natural gas distribution company in Alberta since 1954. Its head office is located in Leduc, Alberta. AUI delivers natural gas to residential, farm, commercial and industrial consumers in more than 90 communities throughout Alberta.

10. AUI also owns natural gas transmission facilities, including high-pressure pipelines delivering natural gas from gas sources to distribution systems. AUI's primary objective and responsibility is to recover its costs and earn a return of and return on capital, while maintaining high operating standards to ensure safe, dependable, cost-effective and secure natural gas supply and delivery for its customers.

11. AUI operates in a mature market and has achieved nearly 100 percent saturation within its franchise areas, with the exception of those few consumers choosing alternate fuel sources or those living in more remote areas where natural gas service has been cost-prohibitive. In 2010, AUI's mid-year rate base was approximately $136 million. The total throughput of natural gas transported for three producers and delivered to 70,788 end use consumer service sites had a total energy value of approximately 21.5 PJ and generated net revenue of $48.6 million.

Heritage Gas Limited

12. Heritage Gas is an indirect, wholly owned subsidiary of AltaGas Ltd. with AltaGas Utility Holdings (Nova Scotia) Inc. ("**AUHI (NS)**") holding all issued and outstanding shares of Heritage Gas. Heritage Gas is regulated by the Nova Scotia Utility and Regulatory Board ("**NSUARB**"). The NSUARB rendered a decision on February 7, 2003 granting Heritage Gas a full regulation class franchise for a period of 25 years (to December 31, 2028). Heritage Gas' franchise gives it the exclusive right to distribute natural gas to all or part of six counties in Nova Scotia, including the Halifax Regional Municipality. Heritage Gas' head office is located in Dartmouth, Nova Scotia.

13. Heritage Gas provides Nova Scotia consumers with the opportunity to switch heating fuel sources, mainly from oil or electricity, to natural gas. In the eight years since its inception, Heritage Gas has grown to serve over 3,000 customers and has constructed over 270 kilometers of pipelines in its franchise area, resulting in significant economic and environmental benefits to its customers in Nova Scotia. At the end of 2010 Heritage Gas had delivered 3,394,000 GJ's of gas and its customers saved well over $30 million relative to the cost of using oil. The rate base for 2010 was $169 million.

AltaGas Ltd.'s Gas and Power Businesses

14. As previously noted, AltaGas Ltd. is an energy infrastructure business with a focus on natural gas, power and regulated utilities. AltaGas Ltd.'s vision is to be a leading North American energy infrastructure company with a focus in Canada and the northern and western United States. Over the past seventeen years AltaGas Ltd. has built a portfolio of assets that provide the platform to support its future growth.

15. At present and in addition to its Utility business, AltaGas has two other operating divisions: Gas and Power. AltaGas' Gas business touches more than 2 Bcf/d of gas and includes natural gas gathering and processing, extraction, transmission and storage. The Power business includes conventional power generation in Alberta and renewable power generation in British Columbia.

Gas Division – Extraction and Transmission, Field Gathering and Processing and Energy Services

16. AltaGas Ltd.'s Extraction business includes 100 percent ownership of the Harmattan Complex and the Joffre Ethane Extraction Plant ("**JEEP**"), both in central Alberta, as well as interests in two extraction plants at Empress, Alberta, the Edmonton Ethane Extraction Plant ("**EEEP**") at Edmonton, Alberta, the Younger Extraction Plant in British Columbia and the Bantry fractionation facility. AltaGas Ltd. operates EEEP, JEEP, the Bantry field facility, Harmattan Complex and the Younger Extraction Plant. AltaGas Ltd.'s net raw gas licensed inlet capacity at these plants was 1,594 MMcf/d at December 31, 2010.

17. The Field Gathering and Processing business consists of over 70 gathering and processing facilities in 31 operating areas located in western Canada and approximately 6,500 km of gathering lines upstream of processing facilities that deliver natural gas into downstream pipeline systems that feed North American natural gas markets. AltaGas Ltd. has a total gross licensed processing capacity of 1.2 Bcf/d, of which one-third is capable of processing sour gas. AltaGas Ltd. operates all but three of its facilities.

18. The Energy Services business consists of an energy management business and a gas services business. The energy management business consists of providing energy consulting and supply management services and arranging natural gas and power supply for non-residential end-users. AltaGas Ltd.'s energy management services are provided under the brand name ECNG Energy and are supported by employees in: Burlington and Chatham, Ontario; Calgary, Alberta; and Vancouver, British Columbia.

19. In the energy management business, AltaGas Ltd. provides natural gas and electricity supply and price management advice to its customers. AltaGas Ltd., on behalf of its end-use customers, also purchases, manages and fixes the price of the client's natural gas and electricity purchases.

20. One of the key functions of the Energy Services business is to support AltaGas Ltd.'s infrastructure businesses. The Gas Services group contracts supply and shrinkage gas for AltaGas Ltd.'s extraction facilities. It also contracts and resells capacity on AltaGas

Ltd.'s transmission pipelines and provides natural gas control services to balance natural gas flows. Gas Services also markets natural gas for Field Gathering and Processing customers, and contracts and manages natural gas supply for AltaGas Ltd.'s gas-fired peaking plants.

21. AltaGas Ltd.'s Gas Services business also includes transportation arrangements into eastern Canadian markets and within Alberta in the form of gas exchange arrangements. AltaGas Ltd. markets or exchanges all of the volumes that flow through its Cold Lake and Summerdale pipeline systems. Typically, AltaGas Ltd. receives natural gas from customers on an AltaGas Ltd. system and delivers the gas to its customers on the TransCanada, ATCO or TransGas systems.

22. The Gas Services business manages AltaGas Ltd.'s 50 percent share of the Sarnia Airport Storage Pool Limited Partnership, which owns 5.3 Bcf of gas storage capacity. Market Hub Partners Management Inc., an affiliate of Spectra Energy Corp., manages the general partner of the limited partnership and operates the facility.

Power Division

23. The Power business is engaged in the sale of electricity and ancillary services in the Alberta wholesale market and the sale of electricity in British Columbia to BC Hydro. At present, AltaGas Ltd. has 509 MW of installed power capacity, comprised of 353 MW of power generation capacity through a 50 percent ownership interest in the Sundance B Power Purchase Arrangement, a capital lease for 25 MW of gas-fired peaking capacity, another 14 MW of gas-fired peaking capacity, 15 MW of cogeneration capacity in Alberta and 102 MW of wind power generation capacity in British Columbia. AltaGas Ltd. also has an effective 15 percent interest in a 7 MW run-of-river hydroelectric generation facility in British Columbia.

24. At December 31, 2010, AltaGas Ltd.'s 407 MW of installed power capacity in Alberta served approximately 5 percent of Alberta's power demand. The 102 MW Bear Mountain Wind Park is the first wind generation facility in British Columbia. The 195 MW run-of-river Forrest Kerr hydroelectric project is currently under construction. Commercial operations at Forrest Kerr are expected to begin in July 2014.

25. AltaGas Ltd. has approximately 1,900 MW of wind and run-of-river hydroelectric projects under development. The renewable power portfolio consists of 1,500 MW of wind projects, 500 MW in Canada and 1,000 MW in the northern and western United States. The hydroelectric portfolio under development consists of approximately 205 MW in British Columbia.

26. Based on financial information as at September 30, 2011, following completion of the Transaction, AltaGas Ltd.'s total assets will increase by approximately 8% to $3.2 billion. Following completion of the Transaction, AltaGas Ltd.'s regulated rate base assets will increase to approximately $0.5 billion, all of which will be located in Canada. It will have natural gas distribution businesses in British Columbia, Alberta and Nova Scotia.

E. PNG AND PNG(N.E.)

PNG

27. PNG provides service to 12 communities in northwestern British Columbia. Its service territory extends west from Summit Lake to Kitimat and Prince Rupert. As at September 30, 2011, PNG transported and distributed natural gas to approximately 17,700 residential and 2,800 commercial and industrial customers. The mid-year rate base of PNG for ratemaking purposes in 2011 was $130.8 million. PNG has 80 employees with close to 50 individuals working out of the regional head office in Terrace, B.C.

PNG(N.E.)

28. PNG(N.E.) provides service to communities in northeastern British Columbia including Fort St. John, Dawson Creek, Pouce Coupe and Tumbler Ridge. As at September 30, 2011, PNG(N.E.) transported and distributed natural gas to approximately 16,200 residential and 2,600 commercial and industrial customers. The mid-year rate base of PNG(N.E.) for ratemaking purposes in 2011 was $43.4 million. PNG(N.E.)'s 27 employees are based in Fort St. John, Dawson Creek and Tumbler Ridge, B.C.

Shared Service Arrangement

29. PNG provides various services to PNG(N.E.) under a shared services arrangement, which is reviewed from time to time by the Commission. The current shared service arrangement will not be affected by completion of the Transaction and any changes to the shared service arrangement will be subject to Commission approval.

F. PROPOSED STAKEHOLDER CONSULTATION AND APPROVAL PROCESS

30. PNG and AltaGas Ltd. have provided and will continue to provide information to stakeholders regarding details and anticipated impacts of the Transaction and will advise stakeholders of the opportunity to provide comments in respect of the Transaction.

31. On October 31, 2011 PNG's President and Chief Executive Officer sent letters to the stakeholders identified in Schedule B attached hereto advising them of the Transaction and requesting them to contact him or PNG's Vice President Operations and Engineering if they have any questions or concerns about the Transaction.

32. A detailed summary of the comments received from stakeholders will be filed with the Commission by November 7, 2011.

33. Section 86.2 of the Act provides that the Commission has jurisdiction to determine the process by which applications will be determined. Section 86.2 reads as follows:

> 86.2(1) Despite any other provision of this Act, in any circumstance in which, under this Act, a hearing may or must be held, the commission may conduct a written hearing.

> (2) The commission may make rules respecting the circumstances in which and the process by which written hearings may be conducted and specifying the form and content of materials to be provided for written hearings.

34. AltaGas submits that this Application should be reviewed by the Commission through written submissions. The acquisition by AltaGas of PNG will not change how gas service is provided by PNG to its customers, as AltaGas Ltd. will be maintaining PNG as a separate standalone operation. AltaGas will retain PNG's management team and the employees involved in PNG's operations. Keeping PNG in place will ensure there are no detrimental effects on its customers. Having regard to the foregoing, AltaGas respectfully requests that the Commission review this Application in accordance with the following proposed regulatory schedule:

Date	**Event**
Monday, October 31, 2011	AltaGas files Application
Monday, November 7, 2011	PNG files detailed summary of comments received from stakeholders
Monday, November 7, 2011	Commission staff submit IRs to AltaGas
Monday, November 14, 2011	AltaGas submits responses to Commission IRs
By end of November 2011	Commission issues Decision on Application

G. THE UTILITIES COMMISSION ACT

35. As indicated above, PNG and PNG(N.E.) are public utilities regulated by the Commission. Section 54 of the Act provides, in part, as follows:

> 54(7) A person must not acquire or acquire control of such numbers of any class of shares of a public utility as
>
> (a) in themselves, or
>
> (b) together with shares owned or controlled by the person and the person's associates,
>
> cause the person to have a reviewable interest in a public utility unless the person has obtained the Commission's approval.

36. Section 54(4) of the Act provides that a person has a reviewable interest in a public utility if the person owns or controls, or if the person and the person's associates own or control, in the aggregate 20 percent of the voting shares outstanding of any class of shares of the

utility. Section 54(9) of the Act provides that the Commission may give its approval under Section 54 subject to such conditions and requirements it considers necessary and desirable in the public interest, and that the Commission must not give its approval under Section 54 "…unless it considers that the public utility and the users of the services of the public utility will not be detrimentally affected."

37. The Commission has indicated that the focus of its review of any acquisition of, or acquisition of control of, a public utility under section 54 of the Act should be on the effect of the acquisition upon the public utility, the customers of that utility and the regulation of the public utility by the Commission in the public interest.[1] The Commission has developed and used the following criteria for conducting reviews under section 54 of the Act:

    (a) the utility's current and future ability to raise equity and debt financing not be reduced or impaired;

    (b) there be no violation of existing covenants that will be detrimental to the customers;

    (c) the conduct of the utility's business, including the level of service, either now or in the future, will be maintained or enhanced;

    (d) the application is in compliance with appropriate enactments and/or regulations;

    (e) the structural integrity of the assets will be maintained in such a manner as to not impair utility service; and

    (f) the public interest will be preserved.[2]

38. The reasons why the Transaction meets the above criteria are discussed in the next section of this Application.

H. REASONS FOR APPROVING THE TRANSACTION

39. Upon the completion of the Transaction, AltaGas will have acquired all of the issued and outstanding common shares of PNG and AltaGas will thereby have direct control of PNG and indirect control of PNG(N.E.). Having regard to the criteria applied by the Commission in earlier decisions under section 54 of the Act, AltaGas submits that the customers of PNG and PNG(N.E.) will not be detrimentally affected and that the public interest will be preserved by the completion of the Transaction.

40. In determining whether the Transaction should be approved, AltaGas submits that it is appropriate for the Commission to have regard to the following considerations:

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[1] See, for example, April 30, 2007 Commission Order No. G-49-97 Reasons for Decision page 7 (the "**Fortis Decision**")

[2] Fortis Decision, pages 7 and 8.

(a) Through its 100 percent owned subsidiaries that operate utilities in the provinces of, Alberta and Nova Scotia**,** AltaGas Ltd. has considerable regulatory, operating and financial expertise in relation to the management of regulated utilities.

(b) AltaGas Ltd. has a good understanding of the regulatory, business and social environment in which PNG and PNG(N.E.) operate in British Columbia. AltaGas Ltd. owns and operates the 102 MW Bear Mountain Wind Park near Dawson Creek, British Columbia. As noted earlier, it is currently constructing the 195 MW Forest Kerr run-of-river hydro-electric power generation project located north of Terrace, British Columbia. It is also in the final stages of discussions with respect to the arrangements necessary to commence construction of the Volcano Creek and McLymont Creek hydro-electric power generation projects. AltaGas Ltd. also owns and operates gas gathering and processing and NGL extraction facilities in British Colombia, including the Younger gas processing facility near Taylor, British Columbia.

(c) The health and safety of its employees and the public is a core value of AltaGas Ltd. AUI and Heritage Gas deliver safe and reliable natural gas distribution services to its customers in Alberta and Nova Scotia.

(d) AltaGas Ltd. believes that the PNG and PNG(N.E.) businesses, having well-diversified, mature customer bases and operating under principally cost-of-service regulation, are similar in all fundamental respects to the businesses of the utilities in the AltaGas Ltd. group of companies.

(e) Completion of the Transaction will bring PNG and PNG(N.E.) under the control of a large and diversified Canadian utility holding company.

(f) The management of AltaGas Ltd. has substantial experience in integrating newly-acquired enterprises into the AltaGas Ltd. group.

(g) AltaGas will retain PNG's management team and the employees involved in PNG's operations.

(h) As with all the utilities that AltaGas Ltd. owns, AltaGas Ltd. intends to operate PNG and PNG(N.E.) on a stand-alone basis. In keeping with its policy and normal practice, AltaGas Ltd. plans to maintain the existing Vancouver head office and all other offices in the service territory of PNG and PNG(N.E.).

(i) AltaGas Ltd. places great emphasis on establishing and maintaining strong relationships with its key stakeholders, including (among others) local governments and First Nations groups.

(j) AltaGas Ltd. is financially sound: following completion of the Transaction AltaGas Ltd.'s total assets will increase to approximately $3.2 billion. AltaGas Ltd. has a strong financial position, and currently maintains an Investment Grade Credit Rating (BBB) with both the Dominion Bond Rating Service

("**DBRS**") and Standard & Poor's ("**S&P**"). Further, AltaGas Ltd. currently has approximately $1 billion of available liquidity through undrawn credit facilities and cash on hand.

41. AltaGas Ltd.'s approach to utility management is based on creating value for customers, which ultimately translates into long-term value for shareholders. AltaGas Ltd. maintains proximity to its customers in each jurisdiction where it carries on a utility business by structuring its operating utilities as separate operating companies with dedicated, focused local management teams that have the benefit of access to AltaGas Ltd.'s utility management experience and expertise. This approach allows local managers to build relationships with key stakeholders and regulators. AltaGas Ltd. recognizes that regulation is a key aspect of its core business and has developed a disciplined, cost-conscious asset investment and operating philosophy to achieve these objectives.

42. AltaGas Ltd. believes the businesses of PNG and PNG(N.E.) are complementary to its proven core competencies in managing regulated utility investments. In addition, AltaGas Ltd. believes the Transaction provides a broader platform on which to deploy its regulatory and management expertise. The senior management team of PNG, which AltaGas Ltd. expects to retain, will contribute valuable operational expertise in natural gas distribution.

PNG's Financing Capability Will Not be Reduced or Impaired

43. The Transaction will not reduce or impair the ability of PNG to raise debt and equity capital. PNG will not, as a result of the Transaction, maintain for ratemaking purposes less common equity than that determined by the Commission.

44. There are no covenants, agreements or legislative restrictions on AltaGas Ltd. that would reduce or impair the ability of the PNG to access capital markets.

45. AltaGas Ltd. will ensure that PNG and PNG(N.E.) will be adequately funded in accordance with applicable Commission regulations. The Commission will continue to have the ability to regulate allowed return on equity and equity thickness for rate making purposes in the best interests of customers, investors and other stakeholders. Hence, PNG's ability to raise financing will not be reduced or impaired by approval of the Transaction, and the Transaction will not have a detrimental effect on PNG and PNG(N.E.) or the users of their services.

46. AltaGas Ltd. has consistently demonstrated an ability to raise equity in Canadian capital markets. AltaGas Ltd. is a publicly traded corporation listed on the TSX and has a strong history of accessing the Canadian equity markets as necessary. AltaGas Ltd.'s most recent equity issuance was completed in February 2009, in which AltaGas Ltd. issued shares for proceeds of $100 million. In addition, AltaGas Ltd. has a Dividend Reinvestment Program ("**DRIP**") whereby shareholders can re-invest dividends in additional shares of the corporation. Currently, AltaGas Ltd. is issuing approximately $30-35 million in shares per year under its DRIP program. Moreover, AltaGas completed a preferred equity share issuance in August 2010. The successful preferred

equity share offering yielded proceeds of $200 million. This proven ability to raise capital provides the Commission and stakeholders with a reasonable assurance that AltaGas has the ability to provide any necessary additional capital equity for PNG and PNG(N.E.).

No Violation of Existing Covenants

47. The proposed Transaction is one under which AltaGas will acquire control of PNG and, as a result, indirect control of PNG(N.E.) through the acquisition of all of the issued and outstanding common shares of PNG. Since the ownership of PNG(N.E.) by PNG will not be changed by completion of the Transaction, the Transaction will not affect any existing covenants given by PNG or PNG(N.E.), whether financial, commercial or otherwise. AltaGas Ltd. will ensure that PNG and PNG(N.E.) are in a position to meet their capital investment obligations.

PNG and PNG(N.E.) Businesses Will be Maintained or Enhanced

48. After the Transaction is completed, PNG will continue to directly own 100 percent of the shares of PNG(N.E.). The Transaction will not impact the ownership of PNG(N.E.), and will not affect the assets or liabilities of PNG(N.E.).

49. The location of the head office for PNG and PNG(N.E.) in Vancouver will not change as a result of this Transaction.

50. AltaGas Ltd. will ensure that PNG continues to provide services to PNG(N.E.) in accordance with the terms and conditions of the current shared services arrangement. As a result, there will be no detrimental impact on the level of such services being provided to PNG(N.E.).

51. PNG and PNG(N.E.)'s full complement of local engineering, construction, operations and maintenance employees will be retained following completion of the Transaction.

52. Further, PNG and PNG(N.E.) currently have an asset integrity and maintenance program which is compliant with, and subject to, the laws and regulations of British Columbia. The Transaction will not effect any change to this program. Changes to that program and policies will be made, as they would be made without this Transaction, only if justified from a safety, reliability, and efficiency standpoint, and only if in compliance with existing statutes and regulations.

53. Following the close of the Transaction, AltaGas, through the board of directors of PNG, will ensure that PNG senior management remains focused on the provision of safe, reliable and cost-effective service to customers.

54. With the continuation of PNG and PNG(N.E.), the completion of the Transaction will have no adverse impact upon PNG and PNG(N.E.) and their ongoing utility operations. Consequently, the Transaction will have no adverse impact on the type or level of service provided by PNG and PNG(N.E.) to their customers.

55. Following completion of the Transaction, PNG will undertake a review in early 2012 to identify potential areas where its cost of service may be reduced for the benefit of customers, with particular emphasis on cost savings that may arise with respect to the level of corporate reporting requirements of a private company compared to that of a public company. Amendments to PNG's 2012 revenue requirements applications would be filed as may be required following this review.

56. The completion of the Transaction will not affect the Commission's ongoing regulation of PNG and PNG(N.E.) in the public interest. The Commission will continue to regulate the operations of PNG and PNG(N.E.), including the rates and other terms and conditions of service of those utilities, as well as the construction of new facilities by each of the utilities. More particularly, the Commission will continue to have jurisdiction to regulate the following types of business transactions to the extent they may involve either of PNG or PNG(N.E.):

    (a) the disposition of any utility property other than in the ordinary course of the business of the utility (Act, Section 52);

    (b) the issue by any of the utilities of any debt and equity securities, other than debt maturing within one year of issue, and any material change in the terms and conditions of any such outstanding debt and equity securities issued by any of the utilities (Act, Section 50);

    (c) any consolidation, merger or amalgamation of any of the utilities with any other person (Act, Section 53); and

    (d) the subsequent acquisition by any person of a reviewable interest in any of the public utilities (Act, Section 54).

57. In summary, there is nothing in the Transaction that adversely affects the exercise by the Commission of its ongoing regulatory jurisdiction over each of PNG and PNG(N.E.).

Compliance with Statutory Requirements

58. The proposed Transaction will not be completed unless and until all required governmental and regulatory authorizations have been obtained. Consequently, at the time of its completion, the Transaction will have been completed in compliance with all applicable provincial and federal legislation and regulations, including the requirements of the Act. Moreover, there is nothing in the Transaction that detracts from the jurisdiction of the Commission to regulate each of PNG and PNG(N.E.) and the services they provide to customers.

59. In addition to approval from this Commission, AltaGas requires an advance ruling certificate pursuant to section 102 of the *Competition Act* (Canada) before the Transaction may be completed.

60. AltaGas will periodically update the Commission on the status of this additional regulatory requirement.

The Structural Integrity of the PNG and PNG(N.E.) Assets Will Be Maintained

61. As indicated above, the completion of the Transaction does not involve any change in the ownership, control or operation of the assets of PNG and PNG(N.E.) and accordingly the structural integrity of the assets of each of PNG and PNG(N.E.) will be preserved. Following the completion of the Transaction, the Commission will continue to have regulatory control over each of PNG and PNG(N.E.) and their assets and operations. Just as before the Transaction, no disposition of the assets of any of PNG and PNG(N.E.), other than a disposition in the ordinary course of business, can be made without the approval of the Commission required under section 52 of the Act.

62. In addition,

    (a) each of PNG and PNG(N.E.) has an obligation to provide safe, reliable and secure service to its respective customers under the jurisdiction of the Commission; and

    (b) the operations of PNG and PNG(N.E.) remain subject to the continuing oversight of the BC Safety Authority, BC Oil and Gas Commission, and WorkSafeBC.

63. Completion of the Transaction will result in PNG being acquired by a large, well capitalized company, which has both the expertise and resources to expand and develop the energy business being carried on, by PNG and PNG(N.E.).

I. CONCLUSION

64. In all of the circumstances of this Application, following completion of the Transaction:

    (a) there will be unaffected continuity in the direct ownership, business and operations of PNG and PNG(N.E.);

    (b) the structural integrity of the assets of PNG and PNG(N.E.) will be maintained;

    (c) there will be unaffected continuity in the services provided by PNG to PNG(N.E.) pursuant to the shared services arrangement;

    (d) there will be unaffected continuity in the utility services provided by PNG and PNG(N.E.) to their customers;

    (e) there will be unaffected continuity in the regulation of PNG and PNG(N.E.) and their services by the Commission under the Act;

    (f) there will be no adverse impact on the ability of PNG and PNG(N.E.) to access capital markets;

    (g) there will be no breach of existing covenants given by or in respect of PNG and PNG(N.E.);

(h) there will be compliance with applicable provincial and federal statutes and regulations; and

(i) the public interest will be preserved.

65. Completion of the Transaction will not detrimentally affect PNG and PNG(N.E.) or the users of the services of those utilities, and the jurisdiction of the Commission over PNG and PNG(N.E.) will continue unchanged.

66. AltaGas submits that the acquisition by AltaGas of the issued and outstanding common shares of PNG is in the public interest and should therefore be approved.

J. ORDER SOUGHT

A draft of the form of order sought in this Application is attached as Schedule "C".

ALL OF WHICH is respectfully submitted at Vancouver, British Columbia on October 31, 2011.

ALTAGAS UTILITY HOLDINGS (PACIFIC) INC.
by its legal counsel
STIKEMAN ELLIOTT LLP

per: Luigi Cusano

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All notices and communications in connection with this Application should be directed to:

Stikeman Elliott LLP
Suite 1700, 666 Burrard Street
Vancouver, BC V6C 2X8

Attention: Luigi Cusano
fax: (604) 631-1300
phone (main): (604) 631-1300
phone (direct): (403) 266-9097
e-mail: lcusano@stikeman.com

Stikeman Elliott LLP
Suite 1700, 666 Burrard Street
Vancouver, BC V6C 2X8

Attention: David Wood
fax: (604) 631-1300
phone (main): (604) 631-1300
phone (direct): (403) 266-9068
e-mail: dwood@stikeman.com

AltaGas Utility Group
Suite 540, 355 4th Avenue SW
Calgary, AB T2P 0J1

Attention: John Lowe
fax: (403) 806-3311
phone: (403) 806-3322
e-mail: john.lowe@altagasutility.com

Pacific Northern Gas Ltd.
Suite 950, 1185 West Georgia Street
Vancouver, BC V6E 4E6

Attention: C.P. Donohue
fax: (604) 697-6210
phone: (604) 691-5673
e-mail: cdonohue@png.ca

SCHEDULE “A”

ACQUISITION AGREEMENT

(See attached)

ACQUISITION AGREEMENT

among

ALTAGAS LTD.

and

ALTAGAS UTILITY HOLDINGS (PACIFIC) INC.

and

PACIFIC NORTHERN GAS LTD.

Dated effective as of October 30, 2011

TABLE OF CONTENTS

Schedules

ACQUISITION AGREEMENT

ACQUISITION AGREEMENT dated effective as of October 30, 2011 (this "**Agreement**") among AltaGas Ltd., a corporation incorporated under the federal laws of Canada ("**Buyer Parent**"), AltaGas Utility Holdings (Pacific) Inc., a corporation incorporated under the federal laws of Canada and a wholly-owned subsidiary of Buyer Parent ("**Buyer**"), and Pacific Northern Gas Ltd., a corporation incorporated under the laws of British Columbia (the "**Company**").

WHEREAS, the Company Board has, upon the terms and subject to the conditions set forth herein: (i) determined that the Acquisition is in the best interests of the Company; (ii) approved this Agreement and the transactions contemplated hereby, including the Plan of Arrangement and the Acquisition; and (iii) resolved to recommend that the Company Common Shareholders vote in favour of the Arrangement Resolution;

AND WHEREAS, the Boards of Directors of Buyer Parent and Buyer have, upon the terms and subject to the conditions set forth herein, approved this Agreement and the transactions contemplated hereby, including the Acquisition;

AND WHEREAS, Buyer Parent, Buyer and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Acquisition and also to prescribe various conditions to the Acquisition.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and premises contained in this Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties to this Agreement agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions. In this Agreement, unless the context otherwise requires, the following terms shall have the following meanings:

"**Acceptable Confidentiality Agreement**" means a confidentiality agreement that contains confidentiality and standstill covenants of the relevant third party that has made an Acquisition Proposal that are no less favorable in the aggregate to the Company than those contained in the Buyer Parent Confidentiality Agreement, provided that such Acceptable Confidentiality Agreement does not in any way restrict the Company from complying with its obligations under this Agreement, including with respect to the Company's disclosure obligations to Buyer Parent under this Agreement with respect to any Acquisition Proposal.

"**Acquisition**" means the acquisition by Buyer of the Company pursuant to the Plan of Arrangement upon the terms and subject to the conditions in this Agreement.

"**Acquisition Consideration**" means CAN$36.75 per Company Common Share.

"**Acquisition Proposal**" means, other than the transactions contemplated by this Agreement, any offer, proposal or inquiry from any Person or group of Persons, whether or not in writing and whether or not made to the Company Common Shareholders, after the date hereof relating to: (a) any acquisition or purchase, direct or indirect, of (i) assets of the Company and/or one or more of the Company Subsidiaries or Non-Controlled Entities that, individually or in the aggregate, constitute 20% or more of the consolidated assets of the Company and the Company Subsidiaries, taken as a whole; or (ii) 20% or more of the Company Common Shares outstanding at such time; (b) any take-over bid, tender offer or exchange offer for the Company Common Shares; or (c) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving the Company, the Company Subsidiaries or the Non-Controlled Entities whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets of the Company and the Company Subsidiaries, taken as a whole.

"**affiliate**" has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus and Registration Exemptions*.

"**Agreement**" means this Acquisition Agreement.

"**Aggregate Acquisition Consideration**" means the product of the Acquisition Consideration and the number of Company Common Shares issued and outstanding immediately prior to the Effective Time (other than Company Common Shares held by Company Common Shareholders who have exercised Dissent Rights).

"**Applicable Securities Laws**" means: (a) the *Securities Act* (British Columbia) and the rules and regulations made thereunder; (b) all other applicable Canadian securities laws, rules and regulations and published policies thereunder; and (c) the rules, regulations and policies of the Toronto Stock Exchange.

"**Applicable Securities Regulators**" means the British Columbia Securities Commission together with the other applicable securities commissions and other securities regulatory authorities in Canada.

"**Arrangement**" means an arrangement under the provisions of section 288 of the BCBCA, on the terms and conditions set forth in the Plan of Arrangement, as amended from time to time in accordance with its terms.

"**Arrangement Resolution**" means the resolution to be considered and, if thought fit, passed by the Company Common Shareholders at the Company Shareholder Meeting to approve the Arrangement, to be substantially in the form and content of Schedule C hereto.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including all regulations made thereunder.

"**BCUC**" means the British Columbia Utilities Commission.

"**BC Utilities Commission Act**" means the *Utilities Commission Act*, as amended.

"**Benefit Plans**" has the meaning ascribed thereto in Section 3.11(a).

"**Business Day**" means any day, other than a Saturday or Sunday or a day on which banks are required or authorized by Law to close in Vancouver, British Columbia.

"**Buyer**" means AltaGas Utility Holdings (Pacific) Inc.

"**Buyer Parent**" means AltaGas Ltd.

"**Buyer Parent Confidentiality Agreement**" means the confidentiality and standstill agreement dated August 11, 2011 by and between the Company and Buyer Parent.

"**Buyer Parent Representatives**" has the meaning ascribed thereto in Section 5.2(a).

"**Carbon Taxes**" has the meaning ascribed thereto in Section 3.19(h).

"**Change of Company Board Recommendation**" has the meaning ascribed thereto in Section 5.3(d).

"**Circular**" means the notice of meeting and accompanying management information circular (including all schedules, appendices and exhibits thereto) to be sent to the Company Common Shareholders in connection with the Company Shareholder Meeting, including any amendments or supplements thereto.

"**Company**" means Pacific Northern Gas Ltd.

"**Company Articles**" has the meaning ascribed thereto in Section 3.1(b).

"**Company Board**" means the Board of Directors of the Company.

"**Company Board Recommendation**" has the meaning ascribed thereto in Section 2.5(c).

"**Company Common Shareholders**" mean the holders of Company Common Shares.

"**Company Common Shares**" has the meaning ascribed thereto in Section 3.2(a).

"**Company Disclosure Letter**" means the disclosure letter dated the date hereof regarding this Agreement that has been provided by the Company to the Buyer Parent and the Buyer.

"**Company DSUs**" means deferred share units granted pursuant to the Company DSU Plan which are, at such time, issued.

"**Company DSU Plan**" means the Pacific Northern Gas Ltd. Directors' Deferred Share Unit Plan adopted by the Company Board as of January 1, 2007, as amended.

"**Company Financial Statements**" has the meaning ascribed thereto in Section 3.7(b).

"**Company Insurance Policies**" has the meaning ascribed thereto in Section 3.20.

"**Company Junior Preferred Shares**" has the meaning ascribed thereto in Section 3.2(a).

"**Company Leased Real Property**" has the meaning ascribed thereto in Section 3.15(b).

"**Company Material Adverse Effect**" means any fact, change, event, circumstance, occurrence, effect or development occurring after the date hereof that is materially adverse to (i) the business, assets, liabilities, financial condition or results of operations of the Company and the Company Subsidiaries, taken as a whole, or (ii) the ability of the Company to consummate the transactions contemplated by this Agreement or to perform its obligations under this Agreement in accordance with the terms of this Agreement and applicable Law; provided, however, that a Company Material Adverse Effect will not include or be deemed to result from any effect, either alone or in combination with any other effect, directly or indirectly, arising out of, relating to or attributable to (and none of the following shall be taken into account in determining whether there has been or will be, a Company Material Adverse Effect): (a) any change affecting the general economy or political, regulatory, business, economic, financial, credit, energy, commodity or capital market conditions in Canada, including interest rates, exchange rates, natural gas prices or electricity rates (provided that it does not have a materially disproportionate effect on the Company relative to comparable companies in the natural gas transmission or distribution business); (b) any change affecting national, regional, provincial or local natural gas transmission or distribution systems or the national, regional, provincial or local wholesale or retail markets for natural gas or electric power (provided that it does not have a materially disproportionate effect on the Company relative to comparable companies in the natural gas transmission or distribution business); (c) any change attributable to the execution or announcement of this Agreement, or the pendency of the transactions contemplated hereby, including any litigation resulting therefrom (including any shareholder litigation), any reduction in revenues resulting therefrom, any adverse change in supplier, customer, distributor, employee, financing source, shareholder, partner or similar relationships resulting therefrom or any change in the credit rating of the Company resulting therefrom; (d) any action taken, or failure to act, at the request or with the consent of Buyer Parent or Buyer; (e) acts of war (whether or not declared), acts of armed hostility, sabotage or terrorism or other international or national calamity or any material worsening or escalation of such conditions (provided that it does not have a materially disproportionate effect on the Company relative to comparable companies in the natural gas transmission or distribution business); (f) any change in national, regional, provincial or local wholesale or retail natural gas, electric power or capacity prices or in the market price for commodities (provided that it does not have a materially disproportionate effect on the Company relative to comparable companies in the natural gas transmission or distribution business); (g) any hurricane, earthquake, flood or other natural disaster or act of God; (h) any change resulting from weather conditions or customer use patterns (provided that it does not have a materially disproportionate effect on the Company relative to comparable companies in the natural gas transmission or distribution business); (i) any adoption, proposal or implementation of, or change in, any applicable Law after the date hereof or any interpretation thereof by any Governmental Entity (provided that it does not have a materially disproportionate effect on the Company relative to comparable companies in the natural gas transmission or distribution business); (j) changes in GAAP after the date hereof or any interpretation thereof by any Governmental Entity; (k) any failure by the Company to meet any estimates of revenues, earnings, projections or other indicia of performance, whether published, internally prepared or provided to Buyer Parent, Buyer or any Buyer Parent Representatives; or (l) any change in the

price or trading volume of the Company Common Shares or Company Preferred Shares on the Toronto Stock Exchange or any suspension of trading in securities generally on the Toronto Stock Exchange.

"**Company Option Plan**" means the Pacific Northern Gas Ltd. Key Employee Stock Option Incentive Plan (revised March, 2006) effective from 1980, as amended.

"**Company Options**" means options to purchase Company Common Shares pursuant to the Company Option Plan which are, at the relevant time, outstanding and unexercised, whether or not vested (and, for greater certainty, shall include options issued after the date of this Agreement).

"**Company Optionholders**" means the holders of Company Options.

"**Company Owned Real Property**" has the meaning ascribed thereto in Section 3.15(a).

"**Company Permits**" has the meaning ascribed thereto in Section 3.6(a).

"**Company Preferred Shares**" has the meaning ascribed thereto in Section 3.2(a).

"**Company Preferred Shareholders**" means the holders of Company Preferred Shares.

"**Company Public Disclosure Record**" means all documents filed by the Company on the System for Electronic Document Analysis Retrieval (SEDAR), maintained by the Canadian Securities Administrators, on or after January 1, 2010 and before the date of this Agreement.

"**Company Real Property**" has the meaning ascribed thereto in Section 3.15(c).

"**Company Real Property Lease**" has the meaning ascribed thereto in Section 3.15(b).

"**Company Representatives**" has the meaning ascribed thereto in Section 5.2(a).

"**Company Risk Management Plan**" has the meaning ascribed thereto in Section 3.21.

"**Company Shareholder Approval**" has the meaning ascribed thereto in Section 2.4(b).

"**Company Shareholder Meeting**" means a duly convened meeting of the Company Common Shareholders called to obtain the Company Shareholder Approval, or any valid adjournment or postponement thereof made in accordance with this Agreement.

"**Company Subsidiary**" means the wholly-owned and partially owned subsidiaries of the Company identified as such in Section 3.1(c) of the Company Disclosure Letter.

"**Company Subsidiary Agreements**" has the meaning ascribed thereto in Section 3.2(f).

"**Company Subsidiary Securities**" has the meaning ascribed thereto in Section 3.1(c).

"**Competition Act**" means the *Competition Act* (Canada), R.S.C. 1985, c. C-34, as amended.

"**Contract**" means any agreement, contract, lease (whether for real or personal property), power of attorney, note, bond, mortgage, indenture, deed of trust, loan, evidence of indebtedness, letter of intent, purchase order, letter of credit, settlement agreement, franchise agreement, covenant not to compete, employment agreement, license, purchase and sales order or other legal commitment to which a Person is a party or to which the properties or assets of such Person are subject.

"**control**" (including the terms "**controlled by**" and "**under common control with**") means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of Equity Interests, by Contract or otherwise.

"**Court**" means the Supreme Court of British Columbia.

"**Customary Post-Closing Consents**" means consents and approvals from any Governmental Authority or any third party that are customarily obtained after closing in connection with transactions similar to the Acquisition and which, if not obtained, would not reasonably be expected to have a Company Material Adverse Effect, but excluding, for clarity, the Required Regulatory Approvals.

"**D&O Insurance**" has the meaning ascribed thereto in Section 5.7(c).

"**Data Room Information**" means the documents made available to Buyer and Buyer Parent and/or their respective representatives on or before the date hereof through the online data exchange provided by the Company, together with the documents provided in hard copy and responses to requests for information made by Buyer and Buyer Parent or their respective representatives provided by the Company, any Company Subsidiary or any Non-Controlled Entity, their respective employees or counsel or financial advisors.

"**Depositary**" means Computershare Trust Company of Canada.

"**Disclosed Personal Information**" has the meaning as ascribed thereto in Section 5.12(a).

"**Disclosure Controls**" has the meaning ascribed thereto in Section 3.8(b).

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in Section 4.1 of the Plan of Arrangement.

"**Dissenting Shareholder**" means a registered Company Common Shareholder who has duly and validly exercised his, her or its Dissent Rights in respect of the Arrangement Resolutions in compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights.

"**Effective Date**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Environmental Laws**" means all Laws, imposing obligations, responsibilities, liabilities or standards of conduct for or relating to: (a) the regulation or control of pollution, contamination, activities, materials, substances or wastes in connection with or for the protection of human health or safety, the environment or natural resources (including climate, air, surface water, groundwater, wetlands, land surface, subsurface strata, wildlife, aquatic species and vegetation); or (b) the use, storage, generation, disposal, treatment, processing, recycling, handling, transport, distribution, destruction, transfer, import, export or sale of Hazardous Substances.

"**Environmental Permits**" means any permit, approval, identification number, license and other authorization required under any applicable Environmental Law.

"**Equity Interest**" means any common share, preferred share, partnership, membership, voting security or similar interest in any Person, and any option, warrant, right or security (including debt securities) convertible, exchangeable or exercisable therefor.

"**Extended Outside Date**" means April 30, 2012.

"**Final Order**" means the order of the Court approving the Arrangement under section 291 of the BCBCA, as such order may be affirmed, amended, modified, supplemented or varied by the Court at any time prior to the Effective Date or, if appealed, as affirmed or amended on appeal unless such appeal is withdrawn, abandoned or denied.

"**First Nations Claims**" means any and all claims (whether or not proven) by any person to or in respect of: (a) rights, title or interests of any First Nations Group by virtue of its status as a First Nations Group; (b) treaty rights of a First Nations Group; or (c) specific or comprehensive claims of a First Nations Group being considered by the Government of Canada; and includes any alleged or proven failure of the Crown to satisfy any of its duties to any claimant of any of the foregoing.

"**First Nations Group**" means any Indian band, first nation, Métis community or aboriginal group, tribal council, band council or other aboriginal group or organization in Canada.

"**GAAP**" means generally accepted accounting principles as applied in Canada, and, after the effective date of the Company's conversion to U.S. GAAP pursuant to the IFRS Exemption Order, means generally accepted accounting principles as applied in the United States.

"**Governmental Entity**" means any national, federal, provincial, municipal or local government, or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government; and, for purposes of this Agreement, includes the BCUC.

"**Hazardous Substances**" means any toxic, reactive, corrosive, ignitable or flammable chemical, or chemical compound, or hazardous substance, material or waste, whether solid, liquid or gas that is subject to regulation, control or remediation under any Environmental Laws.

"**HST**" means the goods and services tax or harmonized sales tax imposed under the *Excise Tax Act* (Canada).

"**IFRS Exemption Order**" means the decision of the British Columbia Securities Commission and Ontario Securities Commission dated August 18, 2011 permitting the Company to report in U.S. GAAP rather than International Financial Reporting Standards.

"**Initial Outside Date**" means January 31, 2012.

"**Intellectual Property**" means all Canadian (a) patents and patent applications, (b) trademarks, service marks, trade dress, logos, Internet domain names, trade names and corporate names, whether registered or unregistered, and the goodwill associated therewith, together with any registrations and applications for registration thereof, (c) copyrights and rights under copyrights, whether registered or unregistered, and any registrations and applications for registration thereof, (d) trade secrets and other rights in know-how and confidential or proprietary information, including any technical data, specifications, techniques, inventions and discoveries, (e) rights of privacy and rights of publicity, and (f) all other intellectual property rights recognized by applicable Law enforceable in Canada.

"**Interim Order**" means the interim order of the Court to be issued following the application therefor contemplated by Section 2.2(a) providing for, among other things, the calling and holding of the Company Shareholder Meeting, as such order may be amended, modified, supplemented or varied by the Court.

"**Internal Controls**" has the meaning ascribed thereto in Section 3.8(a).

"**Investment Canada Act**" means the *Investment Canada Act* (Canada), including all regulations thereunder, as amended.

"**Law**" means any federal, provincial, local or foreign law, statute, code, ordinance, rule, regulation, order, judgment, writ, stipulation, award, injunction or decree, including for the avoidance of doubt, reliability standards developed and enforced by the BCUC.

"**Lien**" means any lien, claim, mortgage, defect of title, conditions, preemption right, hypothecation, license to third parties, charge, pledge, conditional or installment sale agreement, encumbrance, restriction, option, right of first refusal, easement, security interest, deed of trust, right-of-way, encroachment or other claim or restriction of any nature (contingent or otherwise), whether voluntarily incurred or arising by operation of Law.

"**Locked-up Shareholders**" means each of The Article 6 Marital Trust created under the First Amended and Restated Jerry Zucker Revocable Trust, Roy Dyce, Greg Weeres, Janet Kennedy, Kevin Teitge, Craig Donohue, Robert Chase, Wayne Bingham and Robert Johnston.

"**Material Contracts**" has the meaning ascribed thereto in Section 3.13(o).

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

"**misrepresentation**" has the meaning ascribed thereto under the *Securities Act* (British Columbia).

"**Non-Controlled Entity**" means the entities identified as such in Section 3.1(c) of the Company Disclosure Letter.

"**Notice of Change of Recommendation**" has the meaning ascribed thereto in Section 5.3(e).

"**Notice of Superior Proposal**" has the meaning ascribed thereto in Section 5.3(f).

"**Obligations**" has the meaning ascribed thereto in Section 2.7(a).

"**Permitted Liens**" mean:

(a) those Liens which are registered on the date hereof at the applicable land registry office or land titles office encumbering the fee simple titles forming part of the Company Real Property;

(b) Liens for Taxes, assessments or other governmental charges or levies if the same shall not at the particular time in question be due and delinquent or are being contested in good faith by appropriate proceedings;

(c) Liens of carriers, warehousemen, mechanics, laborers, materialmen, landlords, vendors, workmen and operators arising by operation of law in the ordinary course of business or by a written agreement for sums not yet due or being contested in good faith by appropriate proceedings;

(d) zoning and building bylaws and ordinances, regulations made by public authorities and other restrictions of applicable Law affecting or controlling the use, marketability or development of real or immovable property that in each case do not materially impact the use of such property as it is being used at the date hereof;

(e) Liens, easements, rights-of-way, restrictions, servitudes, permits, conditions, covenants, exceptions, reservations and other similar encumbrances incurred in the ordinary course of business or existing on property (including easements, rights of way, servitudes, permits, conditions, covenants, exceptions, reservations and other similar encumbrances for sewers, drains, gas and water mains or electric light and power or telephone, telecommunications or cable conduits, poles, wires and cables) not materially impairing the value of the Company Real Property or interfering with the ordinary conduct of the Company's business or rights to any of the Company Real Property;

(f) undetermined or inchoate liens (including processors', operators', mechanics, builders', materialmen's and similar liens) incurred or created as security in favour of the Person conducting the operation of any of the Company Real Property arising in the ordinary course of business;

(g) all rights to consent by, required notices to, filings with, or other actions of Governmental Authorities to the extent customarily obtained subsequent to the Effective Date;

(h) Liens granted under purchase money security interests, conditional sale agreements and similar instruments relating to purchased properties or assets;

(i) valid, subsisting and applicable laws, rules or orders of any Governmental Authority;

(j) the rights reserved to or vested in any grantor or Governmental Authority by the terms of the Company Real Property Leases, Company Real Property licenses or Company Permits, or by any Applicable Law, including any rights to terminate the Company Real Property Leases, Company Real Property licenses or Company Permits or require annual or other periodic payments as a condition of the continuance thereof;

(k) rights reserved to or vested in any Governmental Authority to levy Taxes on or in respect of the Company Real Property, including the income therefrom, or to limit, control or regulate any of the Company Real Property in any manner;

(l) the reservations, limitations, provisos and conditions in any original grants of, titles to, or transfers from the Crown of, any of the lands forming part of the Company Real Property or interests therein and exceptions to title under any Applicable Law;

(m) Liens granted in the ordinary course of business to a public utility, municipality or Governmental Authority with respect to the Company Real Property or operations pertaining thereto, including subdivision agreements, development agreements, site control agreements, engineering, grading or landscaping agreements and similar agreements that in each case do not materially impact the use of such property as it is being used at the date hereof;

(n) terms and conditions of the Material Contracts;

(o) First Nations Claims;

(p) pre-emptive or preferential rights of purchase, rights of first refusal or other restrictions on transfer arising under any agreements applicable to the Company or the Company Real Property; and

(q) such other imperfections or irregularities of title or Liens as do not materially affect the use of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at such properties.

"**Person**" includes an individual, body corporate, limited liability company, partnership, association, trust, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status.

"**Plan of Arrangement**" means the plan of arrangement substantially in the form and content set out in Schedule A, as amended, modified or supplemented from time to time in accordance with its terms or at the direction of the Court in the Final Order.

"**Required Regulatory Approvals**" means the regulatory approvals set forth in Schedule B.

"**Statutory Plans**" means statutory benefit plans which the Company, any Company Subsidiary or any Non-Controlled Entity is required to participate in or comply with, including any benefit plan administered by any federal or provincial government and any benefit plans administered pursuant to applicable health, tax, workplace safety insurance, and employment insurance legislation.

"**Superior Proposal**" means any bona fide written Acquisition Proposal (substituting for the purposes of this definition a threshold of 50% for 20% where used therein and "all or substantially all of the assets (on a consolidated basis)" for "20% or more of the consolidated assets") made by a third party that, in the good faith judgment of the Company Board, after consultation with its financial advisors and outside counsel, taking into account all the terms and conditions of such proposal that the Company Board deems relevant (including the legal, financial, regulatory, timing, likelihood of consummation and other aspects of the proposal and any changes to the terms of this Agreement proposed by Buyer Parent in response to such proposal), is more favourable from a financial point of view to the holders of Company Common Shares than the Acquisition.

"**Support Agreements**" means the support agreements (including all amendments thereto) between Buyer Parent and the Locked-up Shareholders setting forth the terms and conditions upon which the Locked-up Shareholders have agreed, among other things, to vote their Company Common Shares in favour of the Arrangement Resolution.

"**Tax Returns**" includes all returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required by a Governmental Entity to be made, prepared or filed by Law in respect of Taxes.

"**Taxes**" means (a) any federal, provincial, local or foreign taxes, assessments, duties, fees, levies, or other governmental charges, including taxes based on or measured by value, worth, capital, income, receipts, profits, sales or other business activity, or a tax imposed in lieu thereof, including withholding of any of the foregoing and collection of sales taxes, franchise, profits, capital gains, capital stock, transfer, sales, use, occupation, property, excise, severance, windfall profits, stamp, license, payroll, withholding, fuels, ad valorem and other taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind whatsoever (whether payable directly or by withholding and whether or not requiring the filing of a Tax Return), and (b) any interest, penalty or addition to any of the foregoing and includes, without limitation, Carbon Taxes and HST.

"**Termination Fee**" has the meaning ascribed thereto in Section 7.2(b)(i).

"**Transfer Taxes**" has the meaning ascribed thereto in Section 5.8.

"**1934 Act**" means the *Securities Exchange Act of 1934*, as amended, of the United States of America.

1.2 Interpretation Not Affected by Headings. The division of this Agreement into Articles, sections, paragraphs and subparagraphs and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", "hereunder", and similar expressions refer to this Agreement, including the schedules hereto, and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to an Article, section, subsection, paragraph, clause, subclause or schedule by number or letter or both are to that Article, section, subsection, paragraph, clause, subclause or schedule of this Agreement.

1.3 Knowledge and Disclosure. Any reference in this Agreement to "Knowledge" or the awareness of the Company, means to the actual knowledge of Roy Dyce, Greg Weeres, Kevin Teitge and Janet Kennedy in their capacity as officers of the Company, and not in their personal capacity or in any other capacity, as of the date of this Agreement, and does not include knowledge or awareness of any other individual or any constructive, implied or imputed knowledge or awareness.

1.4 Date of Any Action. In the event that any date on which any action is required to be taken hereunder by any of the Parties hereto is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

ARTICLE 2
THE ARRANGEMENT

2.1 The Arrangement. The Arrangement shall be comprised of the events and transactions, taken in the sequence indicated, set forth in the Plan of Arrangement and shall be implemented in accordance with and subject to the terms and conditions contained in this Agreement.

2.2 Implementation Steps by the Company. The Company shall, subject to the terms of this Agreement:

(a) as soon as reasonably practicable after the date of this Agreement, apply to the Court for the Interim Order;

(b) lawfully convene and use commercially reasonable efforts to hold the Company Shareholder Meeting for purposes of approving the Arrangement Resolution in accordance with the Interim Order, the Company Articles and applicable Laws, as soon as reasonably practicable after receipt of the Interim Order and shall not propose to adjourn or postpone the Company Shareholder Meeting:

(i) except as required for quorum purposes or by applicable Law or valid Company Common Shareholder action;

(ii) except as required under Article 7 of this Agreement;

(iii) except for an adjournment for the purpose of attempting to obtain the requisite approval of the Arrangement Resolution; or

(iv) except with Buyer Parent's consent, such consent not to be unreasonably withheld or delayed;

(c) subject to obtaining such approvals as are required by the Interim Order, make and diligently pursue an application to the Court for the Final Order; and

(d) subject to obtaining the Final Order and the satisfaction or waiver (subject to applicable Laws) of the other conditions set forth in Article 6 (excluding conditions that by their terms cannot be satisfied until the Effective Date, but subject to the satisfaction or, when permitted, waiver of those conditions as of the Effective Date), as soon as reasonably practicable thereafter to take all steps and actions including, if applicable, making all filings with Governmental Entities and the Toronto Stock Exchange necessary to give effect to the Arrangement and carry out the terms of the Plan of Arrangement applicable to it prior to the Initial Outside Date.

2.3 **Implementation Steps by Buyer Parent and Buyer.** Subject to the terms of this Agreement, the Buyer Parent and Buyer will cooperate with, assist and consent to the Company seeking the Interim Order and the Final Order and, subject to the Company obtaining the Final Order and the satisfaction or waiver (subject to applicable Laws) of the other conditions set forth in Article 6 (excluding conditions that by their terms cannot be satisfied until the Effective Date, but subject to the satisfaction or, where permitted, waiver of those conditions as of the Effective Date), as soon as reasonably practicable thereafter, take all steps and actions including, if applicable, making all filings with Governmental Entities necessary to give effect to the Arrangement and carry out the terms of the Plan of Arrangement applicable to each of them prior to the Initial Outside Date.

2.4 **Interim Order.** The application referred to in Section 2.2(a) shall, unless the Company, Buyer Parent and Buyer otherwise agree, include a request that the Interim Order provide, among other things:

(a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Company Shareholder Meeting and for the manner in which such notice is to be provided;

(b) that, subject to the approval of the Court and the requirements of Applicable Securities Laws, the requisite approval of the Arrangement Resolution will be: (a) two-thirds (66⅔%) of the votes cast on the Arrangement Resolution by the Company Common Shareholders present in person or by proxy at the Company Shareholder Meeting and voting as a single class (with each Company Common Shareholder being entitled to one vote for each Company Common Share held); and (b) a simple majority (50%) of the votes cast on the Arrangement Resolution by the Company Common Shareholders present in person or by proxy at the Company Shareholder Meeting and voting as a single class (with each Company

Common Shareholder being entitled to one vote for each Company Common Share held) excluding Company Common Shares beneficially owned or over which control or direction is exercised by Persons required to be excluded for purposes of obtaining "minority approval" as defined in MI 61-101, (together, the "**Company Shareholder Approval**");

(c) for the grant of Dissent Rights as provided in the Plan of Arrangement;

(d) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;

(e) that in all other material respects, the terms, restrictions and conditions of the constating documents of the Company, including quorum requirements, shall apply in respect of the Company Shareholder Meeting; and

(f) that the Company Shareholder Meeting may be adjourned or postponed from time to time by the Company Board subject to the terms and conditions of this Agreement without the need for additional approval of the Court.

2.5 **Company Circular and Meeting.**

(a) Subject to Buyer complying with Section 2.5(d), the Company shall:

(i) as soon as reasonably practicable after the execution and delivery of this Agreement, prepare the Circular together with any other documents required by the BCBCA, by Applicable Securities Laws or by other applicable Laws in connection with the approval of the Arrangement Resolution by the Company Common Shareholders, as applicable, at the Company Shareholder Meeting; and

(ii) as soon as reasonably practicable after the issuance of the Interim Order cause the Circular to be sent to the Company Common Shareholders as required by the Interim Order and applicable Laws and filed with Applicable Securities Regulators in accordance with Applicable Securities Laws.

(b) The Company shall ensure that the Circular complies in all material respects with Applicable Securities Laws and other applicable Laws, and, without limiting the generality of the foregoing, that the Circular will not contain a misrepresentation (other than in each case with respect to any information furnished by the Buyer Parent or the Buyer) and shall provide the Company Common Shareholders with information in sufficient detail to permit them to form a reasoned judgement concerning the matters to be placed before them at the Company Shareholder Meeting.

(c) The Company, the Buyer Parent and the Buyer shall cooperate in the preparation, filing and mailing of the Circular. The Company shall provide Buyer Parent's legal counsel with a reasonable opportunity to review and comment on the

Circular prior to filing the Circular with Applicable Securities Regulators in accordance with Applicable Securities Laws and mailing the Circular to Company Common Shareholders in accordance with the Interim Order and applicable Laws. The Buyer Parent and the Buyer acknowledge that whether or not any revisions will be made to the Circular as a result of such comments will be determined solely by the Company acting reasonably; provided, however, that all information relating solely to the Buyer Parent and the Buyer included in the Circular will be in form and content satisfactory to the Buyer Parent and the Buyer, acting reasonably, and the Circular will include a unanimous recommendation of the Company Board that the Company Common Shareholders vote in favour of the Arrangement Resolution (the "**Company Board Recommendation**") and the rationale for that recommendation unless such recommendation has been withdrawn, modified, qualified or changed in accordance with the terms of this Agreement. The Circular shall include a confirmation of the intention of each of the members of the Company Board to vote their Company Common Shares in favour of the Arrangement Resolution and shall disclose that Support Agreements have been executed by the Locked-up Shareholders.

(d) The Buyer Parent and the Buyer will, in a timely and expeditious manner, furnish the Company with all such information regarding the Buyer Parent and the Buyer as may reasonably be required to be included in the Circular and any other documents related thereto. If requested by the Company, the Buyer Parent and the Buyer will provide to the Company certificates of the Buyer Parent and the Buyer, signed by a senior officer of the Buyer Parent and the Buyer, certifying that the information relating to the Buyer Parent and the Buyer and their respective affiliates contained in the Circular does not contain any misrepresentation.

(e) The Company and the Buyer Parent will each promptly notify the other if at any time before or after the Effective Date it becomes aware (in the case of the Company only with respect to the Company and in respect of the Buyer Parent only in respect of the Buyer Parent and the Buyer) that the Circular or any other document referred to in Section 2.5(d) contains any misrepresentation or otherwise requires any amendment or supplement and promptly deliver written notice to the other Party setting out full particulars. In any such event, the Company, the Buyer Parent and the Buyer will cooperate with each other in the preparation, distribution and filing of any required supplement or amendment to the Circular or such other document, as the case may be.

(f) The Buyer Parent and the Buyer agree to indemnify and save harmless the Company, the Company Subsidiaries and the Non-Controlled Entities and the Company Representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which the Company or the Company Subsidiaries or the Non-Controlled Entities or any of the Company Representatives may be subject or may suffer, in any way caused by, or arising, directly or indirectly, from or in consequence of: (i) any misrepresentation or alleged misrepresentation in any information included in the Circular or any other document referred to in Section 2.5(d) that is furnished by the Buyer Parent or the

Buyer or their respective affiliates for the purpose of inclusion in the Circular or such other document; and (ii) any order made, or any inquiry, investigation or other proceeding by any Governmental Entity, based on any misrepresentation or any alleged misrepresentation in any information related solely to the Buyer Parent, the Buyer or their respective affiliates and furnished by the Buyer Parent, the Buyer or their respective affiliates for the purpose of inclusion in the Circular or such other document.

(g) Subject to receipt of the Interim Order and the terms of this Agreement:

(i) the Company will use commercially reasonable efforts to solicit proxies in favour of the approval of the Arrangement Resolution, including, if so requested by Buyer Parent and at Buyer Parent's cost, by using proxy solicitation services designated by Buyer Parent, in compliance with any Laws applicable to the solicitation of proxies. The Company shall instruct the Company's transfer agent and any such proxy solicitation agents to report to Buyer Parent and its designated representatives concurrently with their reports to the Company, and to advise Buyer Parent as Buyer Parent may reasonably request, and on a daily basis on each of the last ten Business Days prior to the Company Shareholder Meeting, as to the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution;

(ii) the Company will promptly advise Buyer Parent of any written notice of dissent or purported exercise by any Company Shareholder of Dissent Rights received by the Company in relation to the Arrangement Resolution and any withdrawal of Dissent Rights received by the Company and, subject to applicable Law, any written communications sent by or on behalf of the Company to any Company Shareholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution;

(iii) within five days of execution of this Agreement and as soon as practical after the record date for the Company Shareholder Meeting, the Company will prepare or cause to be prepared by its transfer agent and provided to Buyer Parent a list of the holders of the Company Shares, and will deliver to Buyer Parent thereafter on demand supplemental lists setting out any changes thereto, all such deliveries to be in electronic format if available from the Company's transfer agent; and

(iv) Buyer Parent and its legal counsel shall be entitled to attend the Company Shareholder Meeting.

2.6 **Court Proceedings.** The Company will provide Buyer Parent's legal counsel with a reasonable opportunity to review and comment upon drafts of all materials to be filed with the Court in connection with the Arrangement prior to the service and filing of such materials and will give reasonable consideration to any such comments as are received from Buyer

Parent's legal counsel. In addition, the Company will not object to Buyer Parent's legal counsel making such submissions on the hearing of the motion for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided that the Company is advised of the nature of any submissions prior to the hearing and such submissions are consistent with this Agreement and the Plan of Arrangement. The Company will also provide Buyer Parent's legal counsel on a timely basis with copies of any notice of appearance and evidence served on the Company or its legal counsel in respect of the application for the Final Order or any appeal therefrom.

2.7 Performance of Buyer.

(a) Buyer Parent unconditionally and irrevocably guarantees, and agrees to be jointly and severally liable with Buyer for, the due and punctual performance of each and every covenant and obligation of Buyer arising under this Agreement or under or relating to the Plan of Arrangement including without limitation the payment of the Acquisition Consideration for the Company Common Shares under the Arrangement (collectively, the "**Obligations**"). Buyer Parent shall cause Buyer to comply with all of the Obligations.

(b) If any Obligation is not duly performed by Buyer and is not performed under this Section 2.7 by Buyer Parent for any reason whatsoever, Buyer Parent will, as a separate and distinct obligation, indemnify and save harmless the Company from and against all losses resulting from the failure of Buyer to perform such Obligation. If any such Obligation is not duly performed by Buyer and is not performed by Buyer Parent under this Section 2.7, or the Company is not indemnified under the immediately preceding sentence, in each case, for any reason whatsoever, such Obligation will, as a separate and distinct obligation, be performed by Buyer Parent as primary obligor.

(c) The liability of Buyer Parent under this Section 2.7 will be for the full amount of the Obligations without apportionment, limitation or restriction of any kind, will be continuing, absolute and unconditional and will not be affected by any applicable Law, or any other act, delay, abstention or omission to act of any kind by Buyer or any other person, that might constitute a legal or equitable defence to or a discharge, limitation or reduction of Buyer Parent's obligations hereunder.

(d) The liability of Buyer Parent under this Section 2.7 will not be released, discharged, limited or in any way affected by anything done, suffered, permitted or omitted to be done by the Company in connection with any duties, obligations or liabilities of Buyer to the Company.

(e) The Company will not be bound or obligated to exhaust its recourse against Buyer or other persons or take any other action before being entitled to demand payment from Buyer Parent under this Section 2.7.

(f) In any claim by the Company against Buyer Parent under this Section 2.7, Buyer Parent may not claim or assert any set-off, counterclaim, claim or other right that

either Buyer Parent or Buyer may have against the Company, the Company Subsidiaries or the Non-Controlled Entities or any directors, employees or officers thereof.

2.8 **Closing.** Buyer will arrange for all required payments as contemplated pursuant to Section 3.1 of the Plan of Arrangement to be made at the time of completion of the transactions contemplated in the Plan of Arrangement. The closing of the Acquisition shall take place at the offices of Farris, Vaughan, Wills & Murphy LLP, 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, at the Effective Time on: the Effective Date, provided such Effective Date is no later than two (2) Business Days following the satisfaction or waiver of the conditions set forth in Article 6 (other than those conditions that by their terms are to be satisfied at the Effective Time but subject to the fulfillment or waiver of those conditions) or at such other place, time and date as the parties to this Agreement may agree in writing.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in, or qualified by any matter set forth in, the Company Public Disclosure Record, the Data Room Information or the Company Disclosure Letter, the Company hereby represents and warrants to Buyer Parent and Buyer as follows:

3.1 **Organization and Qualification; Subsidiaries.**

(a) The Company, each Company Subsidiary and, to the Knowledge of the Company, each Non-Controlled Entity, is a corporation or other legal entity duly incorporated or organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization and has requisite corporate or other legal entity, as the case may be, power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted.

(b) The Company has made available in the Data Room Information true and complete copies of (i) the Notice of Articles, as amended, of the Company, (ii) the Articles, as amended, of the Company (the "**Company Articles**"), and (iii) the equivalent organizational documents of each Company Subsidiary, each as in effect as of the date hereof. Neither the Company nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity is in material violation of any provision of its articles or by-laws (or equivalent organizational document).

(c) Section 3.1(c) of the Company Disclosure Letter sets forth a true and complete list of the Company Subsidiaries and Non-Controlled Entities, together with the jurisdiction of incorporation or organization, authorized capital and the type and percentage of the Equity Interests of each of the Company Subsidiaries and to the Knowledge of the Company, the Non-Controlled Entities (collectively, the "**Company Subsidiary Securities**") held by the Company, directly or indirectly.

(d) The Company, each Company Subsidiary and, to the Knowledge of the Company, each Non-Controlled Entity, is duly qualified to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification.

3.2 Capitalization.

(a) The authorized share capital of the Company consists of: (i) an unlimited number of common shares, $2.50 par value (the "**Company Common Shares**"); (ii) 1,400,000 shares of cumulative redeemable junior preferred shares, $25 par value (the "**Company Junior Preferred Shares**"); and (iii) 200,000 shares of 6¾ percent cumulative redeemable preferred shares, $25 par value (the "**Company Preferred Shares**"). As of the close of business on the Business Day immediately preceding the date of this Agreement, (i) 3,786,104 Company Common Shares, (ii) no Company Junior Preferred Shares, and (iii) 200,000 Company Preferred Shares were issued and outstanding. All of the outstanding Company Common Shares and Company Preferred Shares have been duly authorized and validly issued and are fully paid, non-assessable and were not issued in violation of any pre-emptive right, purchase option, call, right of first refusal or any similar right to which the Company is subject. No Equity Interests of the Company are held by any Company Subsidiary.

(b) As of the close of business on the Business Day immediately preceding the date of this Agreement, no Company Common Shares, Company Junior Preferred Shares or Company Preferred Shares are reserved for or otherwise subject to issuance, except for 171,800 Company Common Shares have been reserved for issuance upon the exercise of currently outstanding Company Options pursuant to the terms of the Company Option Plan. All such Company Common Shares, reserved for or otherwise subject to issuance, when issued in accordance with the terms thereof, will be duly authorized and validly issued and will be fully paid, nonassessable and not issued in violation of any preemptive rights, purchase option, call, right of first refusal or any similar right to which the Company is subject.

(c) Except for the Company Options and the Company DSUs and as otherwise set forth in Section 3.2(c) of the Company Disclosure Letter, as of the date hereof, there are no (i) options, warrants, subscriptions, calls, convertible securities or other rights relating to any Equity Interests of the Company or any Company Subsidiary or, to the Knowledge of the Company, of any Non-Controlled Entity or rights to acquire any such Equity Interests, or (ii) agreements or arrangements or commitments obligating the Company or any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity to issue, acquire, transfer or sell or cause to be issued, acquired, transferred or sold, any Equity Interests of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity. The Company has delivered or made available in the Data Room Information an accurate and complete copy of the Company Option Plan and the Company DSU Plan. There have been no repricings of any Company

Stock Options through amendments, cancellation and reissuance or other means during the current or prior two (2) calendar years. There are no more than 50,000 Company DSUs issued and outstanding.

(d) Except as set forth in Section 3.2(d) of the Company Disclosure Letter, there are no outstanding obligations of the Company, any Company Subsidiary or, to the Knowledge of the Company, of any Non-Controlled Entity, or contracts to which the Company, any Company Subsidiary or, to the Knowledge of the Company, of any Non-Controlled Entity, is bound (i) requiring the repurchase, redemption, acquisition or disposition of, or containing any right of first refusal with respect to, (ii) requiring the registration for sale of, (iii) applying voting restrictions to, (iv) granting any preemptive or antidilutive rights with respect to, or (v) otherwise restricting any Person from purchasing, selling, pledging or otherwise disposing of any Equity Interests in the Company, any Company Subsidiary or any Non-Controlled Entity.

(e) There are no outstanding bonds, debentures, notes or other indebtedness of the Company, any Company Subsidiary or, to the Knowledge of the Company, of any Non-Controlled Entity the holders of which have the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matter on which shareholders of the Company or any Company Subsidiary may vote.

(f) Except as provided in any partnership, joint venture, shareholder, operating or similar agreement providing for the sharing of any profits, losses or liabilities, including each agreement relating to the formation, creation, equity or other ownership interests, operation, management or control of any Company Subsidiary or Non-Controlled Entity (collectively, the "**Company Subsidiary Agreements**"), all of the Company Subsidiary Securities owned by the Company, directly or indirectly, are owned free and clear of any Lien other than Permitted Liens. Prior to the date hereof, the Company has made available to Buyer Parent in the Data Room Information true and complete copies of all material Company Subsidiary Agreements to which the Company, the Company Subsidiaries or, to the Knowledge of the Company, the Non-Controlled Entities are a party. The Company or another Company Subsidiary owns, directly or indirectly, all of the issued and outstanding shares or other Equity Interests of the Company Subsidiaries, free and clear of any Liens (other than Permitted Liens and other than transfer and other restrictions under Applicable Securities Laws), and all of such outstanding shares or other Equity Interests have been duly authorized and validly issued and are fully paid and nonassessable. Except for Equity Interests (i) in the Company Subsidiaries and as set forth in Section 3.2(f) of the Company Disclosure Letter and (ii) in the Non-Controlled Entities as set forth in Section 3.1(c) of the Company Disclosure Letter, neither the Company nor any Company Subsidiary, nor to the Knowledge of the Company, any Non-Controlled Entity owns, directly or indirectly, any Equity Interest in any Person, or has any obligation to acquire any such Equity Interest, or to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in, any Company Subsidiary, any Non-Controlled Entity, or any other Person.

(g) All securities of the Company have been issued in accordance with Applicable Securities Laws in all material respects.

3.3 Authority.

(a) The Company has the requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, including the Plan of Arrangement and Acquisition, subject to the Company Shareholder Approval and the Required Regulatory Approvals. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby, including the Plan of Arrangement and the Acquisition, have been duly and validly authorized by the Company Board, and no other corporate proceedings on the part of the Company, and no shareholder votes or other equity or security holder votes, are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, other than the Interim Order, the Final Order, the Company Shareholder Approval and the approval of the Circular by the Company Board. This Agreement has been duly authorized and validly executed and delivered by the Company and, assuming due authorization, execution and delivery by Buyer Parent and Buyer, constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that: (i) such enforcement may be subject to applicable bankruptcy, insolvency or other similar Laws, now or hereafter in effect, affecting creditors' rights generally; and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

(b) The Company Board, at a meeting duly called and held at which a quorum of directors of the Company were present (in person or by telephone), has: (i) determined that the Acquisition is in the best interests of the Company; (ii) approved this Agreement and the transactions contemplated hereby, including the Plan of Arrangement and the Acquisition; and (iii) resolved to recommend that Company Common Shareholders vote in favour of the Arrangement Resolution; which resolutions have not been subsequently withdrawn or modified in any way.

3.4 No Conflict. None of the execution, delivery or performance of this Agreement by the Company or the consummation of the Plan of Arrangement or Acquisition or any other transaction contemplated by this Agreement will (with or without notice or lapse of time, or both): (a) subject to obtaining the Company Shareholder Approval, conflict with or violate any provision of the Company Articles or any equivalent organizational or governing documents of any Company Subsidiary or, to the Knowledge of the Company, of any Non-Controlled Entity; or (b) assuming that all of the Required Regulatory Approvals have been obtained and any waiting periods thereunder have terminated or expired, (i) conflict with or violate any Law applicable to the Company, any Company Subsidiary or, to the Knowledge of the Company, of any Non-Controlled Entity or any of their respective properties or assets; or (ii) except as set forth in Section 3.4 of the Company Disclosure Letter, require any consent or approval under

(other than the Customary Post-Closing Consents), violate, conflict with, result in any breach of or any loss of any benefit under, or constitute a change of control or default under, or result in termination or give to others any right of termination, vesting, amendment, acceleration or cancellation of, or result in the creation of a Lien upon any of the respective properties or assets of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity or restrict, hinder, impair or limit the ability of the Company, any Company Subsidiary or any Non-Controlled Entity to conduct its business pursuant to, any Material Contract to which the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity is a party or any Company Permit, except, for any such conflicts, violations, consents, breaches, losses, changes of control, defaults, other occurrences or Liens which, individually or in the aggregate are not material.

3.5 **Required Filings and Consents.** None of the execution, delivery or performance of this Agreement by the Company or the consummation by the Company of the Plan of Arrangement or the Acquisition or any other transaction contemplated by this Agreement will require (with or without notice or lapse of time, or both) any consent, approval, authorization or permit of, or filing or registration or qualification with or notification to, any Governmental Entity, other than: (a) the Interim Order, the Final Order and the Company Shareholder Approval; (b) the Required Regulatory Approvals; (c) the approvals set forth in Section 3.5 of the Company Disclosure Letter; (d) compliance with the applicable requirements of the Applicable Securities Laws; (e) filings as may be required under the rules and regulations of the Toronto Stock Exchange; (f) the post-closing notification of the transactions contemplated by this Agreement under the *Investment Canada Act*; (g) the Customary Post-Closing Consents; and (h) where the failure to obtain such consents, approvals, authorizations or permits of, or to make such filings, registrations with or notifications to, any Governmental Entity, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect.

3.6 **Permits, Compliance with Laws.**

(a) Except as set forth in Section 3.6(a) of the Company Disclosure Letter, the Company, each Company Subsidiary and, to the Knowledge of the Company, each Non-Controlled Entity, holds all franchises, grants, easements, authorizations, licenses, permits, consents, certificates, variances, exemptions, exceptions, permissions, qualifications, approvals, orders, registrations and clearances of any Governmental Entity necessary for the Company, each Company Subsidiary and, to the Knowledge of the Company, each Non-Controlled Entity, to own, lease and operate its properties and assets, and to carry on and operate its businesses as currently conducted (the "**Company Permits**"), and all such Company Permits are in full force and effect, except where the failure to so hold, or the failure to be in full force and effect of, any Company Permits, individually or in the aggregate, would not reasonably be expected to be material to the Company and the Company Subsidiaries. The Company, each of the Company Subsidiaries and, to the Knowledge of the Company, each Non-Controlled Entity, is in material compliance with the terms of the Company Permits.

(b) Except as set forth in Section 3.6(b) of the Company Disclosure Letter, neither the Company, nor any Company Subsidiary, nor, to the Knowledge of the Company, any Non-Controlled Entity, is in conflict with, default under or violation of any Law applicable to the Company, any Company Subsidiary, or any Non-Controlled Entity, or by which any property or asset of the Company, any Company Subsidiary, or any Non-Controlled Entity is bound or affected, except for any conflicts, defaults or violations that, individually or in the aggregate, are not material. No investigation by any Governmental Entity with respect to the Company or any Company Subsidiary, or, to the Knowledge of the Company, any Non-Controlled Entity, is pending, nor, to the Knowledge of the Company, has any Governmental Entity indicated to the Company an intention to conduct any such investigation, except for such investigations the outcomes of which, if determined adversely to the Company, any Company Subsidiary, or any Non-Controlled Entity would, individually or in the aggregate, not be material.

3.7 Securities Filings, Financial Statements.

(a) Except as set forth in Section 3.7(a) of the Company Disclosure Letter, the documents comprising the Company Public Disclosure Record, as of their respective filing dates or, if supplemented, modified or amended since the time of filing, as of the date of the most recent supplement, modification or amendment: (a) did not at the time each such document was filed contain, and in the case of filings made after the date hereof, will not contain, any misrepresentation; and (b) complied, and in the case of filings made after the date hereof, will comply, in all material respects with the applicable requirements of Applicable Securities Laws in effect on the date each such document was filed. The Company has not filed any confidential material change report that remains confidential. Since January 1, 2010, the Company has filed all material documents required to be filed by it in accordance with Applicable Securities Laws with Applicable Securities Regulators or the Toronto Stock Exchange.

(b) Except as set forth in Section 3.7(b) of the Company Disclosure Letter, the audited consolidated financial statements and unaudited consolidated interim financial statements of the Company including the related notes and schedules included in the Company Public Disclosure Record (collectively, the "**Company Financial Statements**") (i) complied or, in the case of Company Financial Statements filed after the date hereof, have been prepared or, in the case of Company Financial Statements filed after the date hereof, will be prepared in accordance with GAAP (as in effect on the date of such Company Financial Statements) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of interim financial statements, for normal and recurring year-end adjustments that were not or are not expected to be material in nature) and (ii) fairly present, or, in the case of Company Financial Statements filed after the date hereof, will fairly present in all material respects, in each case in accordance with GAAP, the consolidated financial position and the consolidated results of operations, cash flows and changes in shareholders' equity of the Company as of the dates and for the

periods referred to therein (except, in the case of interim financial statements, for normal and recurring year-end adjustments that were not or are not expected to be material in nature).

3.8 **Internal Control and Disclosure Controls.**

(a) Management of the Company has designed a process of internal control over financial reporting (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* ("**NI 52-109**")) ("**Internal Controls**") for the Company providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Canada, including policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company and the Company Subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with such generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the Company Board; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's or the Company Subsidiaries' assets that could have a material effect on the annual financial statements or interim financial statements of the Company.

(b) Management of the Company has caused the Company to disclose in its management's discussion and analysis any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Internal Controls. Management of the Company has designed and maintains disclosure controls and procedures (as such term is defined in NI 52-109) ("**Disclosure Controls**") for the Company sufficient to provide reasonable assurance that material information relating to the Company, including the Company Subsidiaries, is made known, on a timely basis, to the Company's management, including the chief executive officer and chief financial officer, by others within the Company or the Company Subsidiaries. Management has evaluated the effectiveness of the Disclosure Controls, and has caused the Company to disclose in its management's discussion and analysis the conclusions about the effectiveness of the Disclosure Controls based on such evaluation.

3.9 **No Undisclosed Liabilities.** Except for those liabilities and obligations: (a) reserved against or provided for in the consolidated balance sheet of the Company and the Company Subsidiaries as of June 30, 2011 or in the notes thereto; (b) incurred in the ordinary course of business consistent with past practice since June 30, 2011; (c) incurred under this Agreement or in connection with the transactions contemplated hereby, including the Plan of Arrangement or the Acquisition; (d) disclosed in Section 3.9 of the Company Disclosure Letter; or (e) that have not had and would not reasonably be expected to have a Company Material Adverse Effect, neither the Company nor any Company Subsidiary is, as of the date hereof,

subject to any liabilities or obligations of any nature, whether accrued, absolute, determined, determinable, fixed or contingent, that would be required to be recorded or reflected on a balance sheet in accordance with GAAP as of the date hereof. Neither the Company nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar contract or arrangement (including any Contract relating to any transaction or relationship between or among the Company and any of the Company Subsidiaries or Non-Controlled Entities, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose entity or person, on the other hand), or any "off-balance sheet arrangements", where the result, purpose or effect of such contract or arrangement is to avoid disclosure of any material transaction involving, or material liabilities of, the Company, any of the Company Subsidiaries or any of the Non-Controlled Entities in the Company Financial Statements.

3.10 **Absence of Certain Changes or Events.** Except as set forth in Section 3.10 of the Company Disclosure Letter, since June 30, 2011, through to date of this Agreement, the business of the Company and the Company Subsidiaries and, to the Knowledge of the Company, the Non-Controlled Entities, has been conducted in the ordinary course and there has not been any Company Material Adverse Effect or any change(s), event(s), state of circumstance(s) or development(s) which have had or would reasonably be expected to have, individually or in the aggregate with all other such change(s), event(s), state of circumstance(s) or development(s), a Company Material Adverse Effect. The Company has not failed to disclose to the Buyer any information regarding any event, circumstance or action taken or failed to be taken within the Knowledge of the Company as at the date of this Agreement which could reasonably be expected to have a Company Material Adverse Effect. To the Knowledge of the Company, prior to the date of this Agreement there is and has been no fraud, whether or not material, involving management or any other employees who have a significant role in the financial reporting of the Company. Since January 1, 2010, the Company has received no: (x) material complaints from its auditors, the Toronto Stock Exchange or any Governmental Entity regarding accounting, internal accounting, controls or auditing matters; or (y) expressions of concern from employees of the Company or any Company Subsidiary with respect to questionable accounting or auditing matters.

3.11 **Employee Benefit Plans.** Except as disclosed in Section 3.11 of the Company Disclosure Letter:

(a) Section 3.11(a) of Company Disclosure Letter sets forth a list of all employee benefit, health, welfare, supplemental unemployment benefit, bonus, incentive, pension, profit sharing, current or deferred compensation, stock compensation, stock option, stock purchase, stock appreciation, phantom stock option, savings, retirement, supplementary retirement, hospitalization insurance, health or other medical, dental, life, legal, disability or other insurance (whether insured or self-insured) and similar plans or arrangements or practices, whether written or oral, which are sponsored, maintained or contributed to by the Company, and any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entities, other than Statutory Plans (collectively referred to as the "**Benefit Plans**").

(b) No step has been taken, no event has occurred and no condition or circumstance exists that has resulted in or could be reasonably expected to result in any Benefit Plan being ordered or required to be terminated or wound up in whole or in part or having its registration under applicable Laws refused or revoked, or being placed under the administration of any trustee or receiver or regulatory authority or being required to pay any material amount of Taxes, fees, penalties or levies under applicable Laws. There are no actions, suits, claims (other than routine claims for payment of benefits in the ordinary course), trials, demands, investigations, grievances, arbitrations or other proceedings pending or, to the Knowledge of the Company, threatened in respect of any of the Benefit Plans or their assets which individually or in the aggregate would be material with respect to the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity and there exists no state of facts which after notice or lapse of time or both could reasonably be expected to give rise to any such action, suit, claim, trial, demand, investigation, grievance, arbitration or other proceedings.

(c) The Company has provided to the Buyer and the Buyer Parent in the Data Room Information copies of the Benefit Plans as amended (or, in the case of any unwritten Benefit Plan an up-to-date description of the material terms thereof) together with the most recent actuarial reports, financial statements, employee booklets and funding statements with respect to each of the Benefit Plans. The Company has provided to the Buyer and the Buyer Parent in the Data Room Information a true and complete copy of the most recent annual information return filed with the Canada Revenue Agency with respect to each Benefit Plan in respect of which such a return was required.

(d) All of the Benefit Plans are and have been established, registered, qualified, invested and administered, in all material respects in accordance with all applicable Laws, regulations, orders, or other legislative, administrative or judicial proclamations applicable to the Benefit Plans and in accordance with their terms and the terms of agreements, written or oral, between the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity and its employees. No fact or circumstance exists that could adversely affect the existing tax preferred or tax exempt status of a Benefit Plan.

(e) All contributions or premiums required to be made by the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity under the terms of each Benefit Plan, any collective bargaining agreements, or by applicable Laws have been made in a timely fashion in accordance with applicable Laws and the terms of the Benefit Plans.

(f) Except as disclosed in Section 3.13(f) of the Company Disclosure Letter, each Benefit Plan that is subject to insurance or funding requirements is fully insured or fully funded (both on a going-concern and solvency basis) in accordance with the assumptions disclosed in the most recent applicable actuarial report and in good standing with such regulatory authorities as may be applicable and no notice of underfunding, non-compliance, failure to be in good standing or otherwise has

been received by the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity from any such regulatory authority.

(g) There have been no improper withdrawals, applications or transfers of assets from any Benefit Plan or the trusts or other funding media relating thereto that remain outstanding and unremedied, and neither the Company, nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, nor an agent of any of them has been in breach of any fiduciary obligation with respect to the administration of the Benefit Plans or the trusts or other funding media relating thereto.

(h) No amendments have been made to any Benefit Plan and no commitments to improve or otherwise amend any Benefit Plan will be made, or promised by the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity prior to the Effective Date except as required by applicable Laws to secure the continued registration of any existing Benefit Plan, nor has any intention or commitment to do any of the foregoing been communicated to any employee.

(i) No insurance policy or any other contract or agreement affecting any Benefit Plan requires or permits a retroactive increase in premiums or payments due thereunder.

(j) No employment, severance or termination agreement, other compensation arrangement or Benefit Plan provides for payment of a benefit, the increase of a benefit amount, forgiveness of indebtedness, the acceleration of contributions or funding, the payment of a contingent benefit or the acceleration of the payment or vesting of a benefit by reason of the execution of this Agreement or the consummation of the Plan of Arrangement, Acquisition or other transactions contemplated by this Agreement (whether or not some other subsequent action or event would be required to cause such payment, increase, acceleration, or vesting to be triggered).

(k) None of the Benefit Plans, other than the Pacific Northern Gas Ltd. Post-Retirement Non-Pension Benefit Plan, the Pacific Northern Gas Ltd. Employees' Retirement Plan effective January 1, 1990 and the Supplemental Retirement Plan, provides benefits to retired employees or to the beneficiaries or dependants of retired employees.

(l) All liabilities of the Company, the Company Subsidiaries and, to the Knowledge of the Company, the Non-Controlled Entities (whether accrued, absolute, contingent or otherwise) related to the Benefit Plans have been fully and accurately accrued and disclosed, and reported in accordance with GAAP in the Company Financial Statements. No changes have occurred or are expected to occur to any Benefit Plan that would materially affect the most recent actuarial report prepared in respect of the applicable Benefit Plan.

(m) None of the Benefit Plans is a multi-employer pension plan as defined under the provisions of applicable Laws.

3.12 Labour and Other Employment Matters.

(a) The Company, each Company Subsidiary and, to the Knowledge of the Company, any Non-Controlled Entity, is in compliance in all material respects with all applicable Laws respecting labour, employment, fair employment practices, terms and conditions of employment, workers' compensation, occupational safety, and wages and hours, and all collective bargaining agreements. Neither the Company nor any Company Subsidiary, nor, to the Knowledge of the Company, any Non-Controlled Entity, is engaged in any unfair labour practice. Section 3.12(a) of the Company Disclosure Letter lists each collective bargaining agreement covering the terms of employment of any employee of the Company or any Company Subsidiary and, to the Knowledge of the Company, any Non-Controlled Entity. Except as disclosed in Section 3.12(a) of the Company Disclosure Letter, no labour union or collective bargaining agreement is currently being negotiated by or involving the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity, and there is no pending or, to the Knowledge of the Company, threatened demand for recognition or certification and no representation or certification proceedings or petitions relating to the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity. There is no ongoing, and to the Knowledge of the Company, there is no pending or threatened, work stoppage, slowdown, labour strike, material labour dispute, material grievance, union organizing efforts or requests for representation against the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity.

(b) Section 3.12(b) of the Company Disclosure Letter sets forth a true and complete list of all material (i) severance or employment agreements with directors, officers, employees, or consultants of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity, (ii) severance programs of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity, with or relating to its employees, and (iii) plans, programs or other agreements of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity, with or relating to its directors, officers, employees or consultants which contain change in control provisions.

3.13 Contracts.

(a) Section 3.13(a) of the Company Disclosure Letter sets forth a list of all material joint venture agreements and partnership agreements to which the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity is a party.

(b) Section 3.13(b) of the Company Disclosure Letter sets forth a list of all contracts containing covenants limiting in any material respect the freedom of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity to engage in any line of business or compete with any Person or operate in any geographic area.

(c) Section 3.13(c) of the Company Disclosure Letter sets forth purchase contracts that restrict or limit the purchasing relationships of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity in any material manner.

(d) Section 3.13(d) of the Company Disclosure Letter sets forth confidentiality or standstill agreements entered into in connection with the consideration by the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity of any acquisition of equity interests or assets (the effectiveness of which agreements extends beyond the date that is six months following the date of this Agreement) that restrict the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity in the use of any information or the taking of any action.

(e) Section 3.13(e) of the Company Disclosure Letter sets forth contracts that provide rights to indemnification to directors or officers of the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity.

(f) Section 3.13(f) of the Company Disclosure Letter sets forth franchise and operating contracts between the Company, the Company Subsidiaries or, to the Knowledge of the Company, any Non-Controlled Entities and districts, municipalities, cities, towns and villages.

(g) Section 3.13(g) of the Company Disclosure Letter sets forth acquisition agreements that contains "earn-out" or other contingent payment obligations that could reasonably be expected to result in future payments by the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity.

(h) Section 3.13(h) of the Company Disclosure Letter sets forth agreements relating to indebtedness for borrowed money outstanding in excess of $1,000,000 individually.

(i) Section 3.13(i) of the Company Disclosure Letter sets forth other than leases, licenses or occupancy agreements in the way of easements or rights of way, leases or subleases with respect to leased real property that involves annual rental payments in excess of $1,000,000 per year.

(j) Section 3.13(j) of the Company Disclosure Letter sets forth Contracts for the purchase of natural gas or other energy that is reasonably expected to result in future payments by the Company or any Company Subsidiary in excess of $1,000,000 in any one year period.

(k) Section 3.13(k) of the Company Disclosure Letter sets forth Contracts that require the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity to purchase its total requirements of any product or service from a Person or that contains "take or pay" provisions.

(l) Section 3.13(l) of the Company Disclosure Letter sets forth Contracts pursuant to which the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity has granted pricing or other terms to a Person on a "most favoured nation" or similar basis or pursuant to which the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity has agreed to deal with a Person on an exclusive basis.

(m) Section 3.13(m) of the Company Disclosure Letter sets forth Contracts relating to the pending acquisition or disposition of any material business (whether by acquisition, sale of stock, sale of asset or otherwise).

(n) Section 3.13(n) of the Company Disclosure Letter sets forth Contracts with any investment banking or commercial banking firm or other similar firm which obligates the Company or any Company Subsidiary in any material way after the Effective Time.

(o) Except for contracts of the nature described in Sections 3.13(a) through 3.13(n), Section 3.13(o) of Company Disclosure Letter sets forth a list of all contracts or agreements which require or entitle the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity to make or receive payments (contingent or otherwise) of at least $1 million annually or $5 million over the term of the contract that cannot be terminated on less than 90 days notice without material payment or penalty, provided that the calculation of the aggregate payments for any such agreement or contract shall not include payments attributable to any renewal periods or extensions for which the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity may exercise an option in its sole discretion to approve or disapprove (each of the documents set forth in Sections 3.13(a) through 3.13(o) of Company Disclosure Letter being a "**Material Contract**").

(p) Each Material Contract is: (i) a legal, valid and binding obligation of the Company, the Company Subsidiary or to the Knowledge of the Company, the Non-Controlled Entity that is a party thereto and, to the Knowledge of the Company, enforceable against such Company, Company Subsidiary or Non-Controlled Entity in accordance with its terms; and (ii) to the Knowledge of the Company, a legal, valid and binding obligation of each other party thereto enforceable against each other party thereto in accordance with its terms, in each case, subject to: (A) applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting creditors' rights and remedies generally, and (B) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought. The Company and

the Company Subsidiaries have, and to the Knowledge of the Company, any other party thereto has, performed all respective material obligations required to be performed by them under the Material Contracts and are not (with or without notice or lapse of time, or both) in material breach thereunder. Neither the Company nor any Company Subsidiary has any Knowledge of, or has received written notice of, any violation or default by it under (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under) any Material Contract to which it is a party or by which it or any of its properties or assets is bound or affected.

3.14 **Litigation.** As of the date hereof, there is no suit, claim, action, investigation, arbitration or proceeding to which the Company, any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity is a party or with respect to which any of their respective property is affected, as the case may be, pending or, to the Knowledge of the Company, threatened that, individually or in the aggregate, is material to the Company and the Company Subsidiaries. Neither the Company nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, is subject to any outstanding order, writ, injunction, judgment or decree that, individually or in the aggregate, is material to the Company and the Company Subsidiaries.

3.15 **Real Property.**

(a) The Company, each of the Company Subsidiaries and, to the Knowledge of the Company, each of the Non-Controlled Entities, as the case may be, holds good and marketable title to its real property (collectively, the "**Company Owned Real Property**"), free and clear of all Liens, except for Permitted Liens and except for such Liens that would not reasonably be expected to be, individually or in the aggregate, material to the Company and the Company Subsidiaries. Except as would not reasonably be expected to be, individually or in the aggregate, material to the Company and the Company Subsidiaries, there are no outstanding options or rights of first refusal which have been granted by the Company or any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity, to third parties to purchase any Company Owned Real Property.

(b) Except in each case as would not reasonably be expected to be material to the Company and the Company Subsidiaries: (i) each lease or sublease (each, a "**Company Real Property Lease**") for real property under which the Company or any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity, is a lessee or sublessee (collectively, the "**Company Leased Real Property**") is in full force and effect and is a valid and binding obligation of the Company or the Company Subsidiary or Non-Controlled Entity party thereto and, to the Knowledge of the Company, of the other parties thereto, enforceable against the Company or the Company Subsidiary or the Non-Controlled Entity party thereto and, to the Knowledge of the Company, against the other parties thereto in accordance with its terms, except that (A) such enforcement may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (B) the remedy of

specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought; (ii) no written notices of default under any Company Real Property Lease have been received by the Company or any Company Subsidiary or, to the Knowledge of the Company, any Non-Controlled Entity, that have not been resolved; (iii) neither the Company nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, is in default under any Company Real Property Lease; and (iv) the Company, a Company Subsidiary or, to the Knowledge of the Company, a Non-Controlled Entity, as applicable, is and has been in peaceable possession of each Company Leased Real Property subject to the terms of the applicable Company Real Property Lease.

(c) The Company Owned Real Property and the Company Leased Real Property are referred to collectively herein as the "**Company Real Property**." With respect to the Company Real Property, neither the Company nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, has received any written notice of, nor to the Knowledge of the Company does there exist: (i) any pending, threatened or contemplated condemnation or similar proceedings, or any sale or other disposition of any Company Real Property or any part thereof in lieu of condemnation; or (ii) any non-compliance with any applicable building and zoning codes, deed restrictions, ordinances and rules, that, in each case, individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect. To the Knowledge of the Company, the Company, the Company Subsidiaries and the Non-Controlled Entities have lawful rights of use and access to all Company Real Property necessary to conduct their businesses substantially as presently conducted except as would not reasonably be expected to be material to the Company and the Company Subsidiaries.

3.16 **Environmental Matters.** Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(a) the Company and each Company Subsidiary and, to the Knowledge of the Company, each Non-Controlled Entity, are in substantial compliance with applicable Environmental Laws, and hold or have obtained and are in compliance with all Environmental Permits necessary to conduct their current operations. All such Environmental Permits are final, valid and in full force and effect. No action is pending, or to the Knowledge of the Company threatened, to revoke, suspend, or modify any such Environmental Permits;

(b) except as set forth in Section 3.16(b) of the Company Disclosure Letter, neither the Company, nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, has received any written notice, demand, letter or claim alleging that the Company, such Company Subsidiary or such Non-Controlled Entity is in violation of, or liable under, any Environmental Law, including with respect to the investigation, sampling, monitoring, treatment,

remediation, removal or cleanup of Hazardous Substances, and to the Knowledge of the Company no such notice, demand or claim has been threatened;

(c) except as set forth in Section 3.16(c) of the Company Disclosure Letter, neither the Company, nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, has used any property to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance with all Environmental Law, or except to the extent that such would not be material to the Company and the Company Subsidiaries;

(d) except as set forth in Section 3.16(d) of the Company Disclosure Letter, neither the Company, nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, has caused or permitted the release of any Hazardous Substances on or to any of the real property of the Company or any Company Subsidiary, or to the Knowledge of the Company, any Non-Controlled Entity, in such a manner as: (A) would be reasonably likely to impose liability for cleanup, natural resource damage, loss of life, personal injury, nuisance or damage to other property, except to the extent that such would not be material to the Company and the Company Subsidiaries; or (B) would be reasonably likely to result in imposition of a Lien on or the expropriation of any real property of the Company, any Company Subsidiary, or, to the Knowledge of the Company, any Non-Controlled Entity, except to the extent that such would not be material to the Company and the Company Subsidiaries; and

(e) except as set forth in Section 3.16(e) of the Company Disclosure Letter, neither the Company, nor any Company Subsidiary, nor, to the Knowledge of the Company, any Non-Controlled Entity, has entered into any consent decree or is subject to any judgment relating to compliance with Environmental Laws, the subject matter of which has not been resolved, except to the extent that the foregoing would not or would not be reasonably expected to be material to the Company and the Company Subsidiaries.

Notwithstanding any other provisions of this Agreement to the contrary, the representations and warranties made in this Section 3.16 are the sole and exclusive representations and warranties made by the Company in this Agreement with respect to Hazardous Substances, Environmental Laws, Environmental Permits and any other matter related to the environment or the protection of human health and worker safety.

3.17 Intellectual Property.

(a) The Company and the Company Subsidiaries and, to the Knowledge of the Company, the Non-Controlled Entities own or have the right to use all material Intellectual Property used in their businesses as presently conducted. To the Knowledge of the Company, the Intellectual Property owned by the Company, the Company Subsidiaries and the Non-Controlled Entities is not being infringed, misappropriated or otherwise violated by any third party, except for such

infringements, misappropriations or violations that have not had and would reasonably be expected to be material to the Company and the Company Subsidiaries.

(b) The Company, the Company Subsidiaries and, to the Knowledge of the Company, the Non-Controlled Entities, including their products, services, conduct of their businesses and the use of the Intellectual Property owned by the Company and the Company Subsidiaries and the Non-Controlled Entities, are not infringing, misappropriating, or otherwise violating any third party's right, title or interest in any Intellectual Property, except for such infringements, misappropriations or violations that have not had and would reasonably be expected to be material to the Company and the Company Subsidiaries.

(c) The Company, the Company Subsidiaries and, to the Knowledge of the Company, the Non-Controlled Entities have taken reasonable precautions to protect the secrecy and confidentiality, as applicable, of the trade secrets and other confidential information owned by the Company, the Company Subsidiaries and the Non-Controlled Entities.

3.18 First Nations Claims. Neither the Company, nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity, has received any written First Nations Claim which affects the Company, such Company Subsidiary or such Non-Controlled Entity nor, to the Knowledge of the Company, has any First Nations Claim been threatened which relates to the business of the Company or any of the Company Subsidiaries or Non-Controlled Entities, any Company Permits, or the operation by the Company, the Company Subsidiaries or the Non-Controlled Entities of their respective businesses in the area in which such operations are carried on or in which the assets of the Company, such Company Subsidiary or such Non-Controlled Entity is located and except as disclosed in Section 3.18 of the Company Disclosure Letter neither the Company, nor any of the Company Subsidiaries nor, to the Knowledge of the Company, any of the Non-Controlled Entities has any material outstanding agreements, memorandums of understanding or similar arrangement with any First Nations Group and, to the Knowledge of the Company, there are no material ongoing or outstanding discussions, negotiations, or similar communications with any First Nations Group concerning the Company, any Company Subsidiary or any Non-Controlled Entity or their respective businesses, operations or assets. Notwithstanding any other provisions of this Agreement to the contrary, the representations and warranties made in this Section 3.18 are the sole and exclusive representations and warranties made by the Company in this Agreement with respect to First Nations Claims and any other matter related to, in or with any and all First Nations Groups.

3.19 Tax Matters.

(a) The Company and each Company Subsidiary have timely filed with the appropriate taxing authority all income and other material Tax Returns required to be filed, taking into account any extensions of time within which to file such Tax Returns, and all such Tax Returns were complete and accurate, subject in each case to such exceptions as have not had and would not reasonably be expected to have, individually or in the aggregate, material to the Company and the Company

Subsidiaries. All Taxes that are shown as due on such filed Tax Returns have been paid.

(b) The Company and each Company Subsidiary have paid all material Taxes (that are due and payable by the Company or any Company Subsidiary), other than any such Taxes that are being contested in good faith by appropriate proceedings, or accrued such Taxes on the books and records of the Company and each relevant Company Subsidiary in accordance with GAAP.

(c) Except as has not had and as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company and the Company Subsidiaries: (i) neither the Company nor any Company Subsidiary has been notified in writing that it is currently subject to an audit or similar proceeding with regard to any Taxes or Tax Returns of the Company or any Company Subsidiary; (ii) there are no audits or other similar proceedings pending or, to the Knowledge of the Company, threatened, with regard to any Taxes or Tax Returns of the Company or any Company Subsidiary; (iii) neither the Company nor any Company Subsidiary is presently contesting any material Tax liability in an audit or similar proceeding; and (iv) neither the Company nor any Company Subsidiary has waived in writing any statute of limitations with respect to a material amount of Taxes for any open tax year.

(d) There are no tax liens upon any property or assets of the Company or any Company Subsidiary except Liens for current Taxes not yet due and payable and Liens for Taxes being contested in good faith by appropriate proceedings.

(e) All Taxes that the Company or any Company Subsidiary are (or were) required by Law to withhold or collect in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder, member or other third party have been duly withheld or collected, and have been timely paid over to the proper authorities to the extent due and payable except where failures to withhold and collect and to timely pay would not, individually or in the aggregate, be material to the Company and the Company Subsidiaries.

(f) Fiscal Periods. The fiscal year end of the Company, and each of the Company Subsidiaries, for income tax purposes, is December 31.

(g) Tax Provisions. The Financial Statements contain adequate provision in accordance with GAAP for amounts of Taxes payable but not yet due in respect of the accounting period covered by the Financial Statements.

(h) Carbon Taxes. The Company and each Company Subsidiary has remitted to the appropriate tax authority when required by law to do so all amounts collected by it on account of any and all Taxes payable under the *BC Carbon Tax Act* ("**Carbon Taxes**").

3.20 Insurance. All material fire, liability, workers' compensation, property, casualty and other forms of insurance policies maintained by the Company and the Company Subsidiaries

and, to the Knowledge of the Company, the Non-Controlled Entities, (collectively, the "**Company Insurance Policies**") are with reputable insurance carriers, provide full and adequate coverage for all normal risks incident to the businesses of the Company and the Company Subsidiaries and their respective properties and assets, and are in character and amount at least equivalent to that customarily carried by persons engaged in similar businesses and subject to the same or similar perils or hazards, except for any such failures to maintain insurance policies that, individually or in the aggregate, have not had and would not reasonably be expected to be material to the Company and the Company Subsidiaries. Each Company Insurance Policy is in full force and effect and all premiums due with respect to all Company Insurance Policies have been paid, with such exceptions that, individually or in the aggregate, have not been and would not reasonably be expected to be material to the Company and the Company Subsidiaries.

3.21 **Hedging Transactions.** The Company has made available to Buyer Parent all material agreements that the Company or any Company Subsidiary or, to the Knowledge of the Company, the Non-Controlled Entities, has entered into with respect to any swap, cap, floor, collar, futures contract, forward contract, option or any other derivative financial instrument, Contract or arrangement, based on or referencing any commodity, security, instrument, asset, rate or index of any kind or nature whatsoever, whether tangible or intangible, including electricity, natural gas, crude oil and other commodities, currencies, interest rates or indices, or forward contracts for physical delivery, physical output of assets or physical load obligations or any similar derivatives transaction. The Company's gas price risk management plan dated April 2010 (the "**Company Risk Management Plan**") complies with all applicable Law. The Company has made the Company Risk Management Plan available to Buyer Parent prior to the date of this Agreement. As of the date hereof: (i) the transactions subject to the Company Risk Management Plan are within the risk parameters that are set forth in the Company Risk Management Plan; and (ii) the exposure (both to its trading counterparties and to the risk of loss) of the Company, the Company Subsidiaries and, to the Knowledge of the Company, each Non-Controlled Entity with respect to all such transactions is not material to the Company, the Company Subsidiaries and each Non-Controlled Entity, taken as a whole. From January 1, 2010 to the date hereof, neither the Company nor any Company Subsidiary nor, to the Knowledge of the Company, any Non-Controlled Entity has, in accordance with its mark to market accounting policies, experienced at any time an aggregate realized net loss in its trading and related operations that has been or would reasonably be expected to be material to the Company and the Company Subsidiaries.

3.22 **Reporting Issuer Status.** The Company is a "reporting issuer" and not on the list of reporting issuers in default under Applicable Securities Laws in each of the provinces and territories of Canada. The Company Common Shares and the Company Preferred Shares are listed on, and the Company is in compliance in all material respects with the rules and policies of, the Toronto Stock Exchange. The Company is not subject to regulation by any stock exchange other than the Toronto Stock Exchange. No delisting, suspension of trading in or cease trading order with respect to any securities of the Company and, to the Knowledge of the Company, no inquiry or investigation (formal or informal) of any Applicable Securities Regulators (including, for purposes of this paragraph, any similar authority in the United States) or the Toronto Stock Exchange is in effect or ongoing or, to the Knowledge of the Company, expected to be implemented or undertaken which would have a Company Material Adverse

Effect (other than the delisting of the Company Common Shares in connection with the Arrangement).

3.23 **Books and Records.** The financial books, records and accounts of the Company and the Company Subsidiaries: (i) have been maintained in accordance with applicable Laws and GAAP on a basis consistent with prior years; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions, acquisitions and dispositions of the assets of the Company and the Company Subsidiaries; and (iii) accurately and fairly reflect the basis for the Company Financial Statements.

3.24 **Minute Books.** The corporate minute books of each of the Company and the Company Subsidiaries contain minutes of all meetings and resolutions of their respective boards of directors and committees of such boards of directors or managers, as applicable, other than those portions of minutes of meetings reflecting discussions of the Arrangement and alternative transactions to the Arrangement, and shareholders or members, as applicable, held according to applicable Laws and are complete and accurate in all material respects.

3.25 **Restrictions on Business Activities.** There is no arbitral award, judgment, injunction, constitutional ruling, order or decree binding upon the Company or the Company Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, restricting, or impairing any business practice of any of them, any acquisition or disposition of property by any of them, or the conduct of the business by any of them as currently conducted, which could reasonably be expected to have a Company Material Adverse Effect.

3.26 **Expropriation.** Since January 1, 2010, no part of the property or assets of the Company or the Company Subsidiaries has been taken, condemned or expropriated by any Governmental Entity nor has any written notice or proceeding in respect thereof been given or commenced nor does the Company or the Company Subsidiaries know of any intent or proposal to give such notice or commence any such proceedings.

3.27 **Related Party Transactions.** With the exception of any contracts related to Company Options, Company DSUs, employment and indemnification, there are no Contracts or other transactions currently in place between the Company or any of the Company Subsidiaries, on the one hand, and: (i) any officer or director of the Company or any of the Company Subsidiaries; (ii) any holder of record or, to the Knowledge of the Company, beneficial owner of 10% or more of the Company Common Shares; or (iii) any affiliate or associate of any such, officer, director, holder of record or beneficial owner, on the other hand.

3.28 **United States Securities Laws.**

(a) No securities of the Company are registered or required to be registered under Section 12 of the 1934 Act, and the Company is not required to file reports under Section 13 or Section 15(d) of the 1934 Act.

(b) As of the date hereof, the Company: (A) is a "foreign private issuer" as defined in Rule 3b-4 under the 1934 Act, (B) is not registered or required to register as an investment company under the U.S. Investment Company Act and (C) has not been subject to any proceeding under Section 12(j) of the 1934 Act.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF BUYER PARENT AND BUYER

Buyer Parent and Buyer hereby represent and warrant to the Company as follows:

4.1 **Organization and Qualification.** Each of Buyer Parent and Buyer is a corporation duly incorporated, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted. Each of Buyer Parent and Buyer is duly qualified to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification.

4.2 **Authority.** Each of Buyer Parent and Buyer has the requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, including the Acquisition, subject to any regulatory approvals referenced in Section 4.4. The execution and delivery of this Agreement by each of Buyer Parent and Buyer, and the consummation by Buyer Parent and Buyer of the transactions contemplated hereby, including the Acquisition and the Plan of Arrangement, have been duly and validly authorized by all requisite corporate action on the part of Buyer Parent and Buyer and no other corporate proceedings on the part of Buyer Parent or Buyer, and no shareholder or other equityholder votes, are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly authorized and validly executed and delivered by Buyer Parent and Buyer and, assuming due authorization, execution and delivery by the Company, constitutes a valid and binding obligation of Buyer Parent and Buyer, enforceable against Buyer Parent and Buyer in accordance with its terms, except that: (i) such enforcement may be subject to applicable bankruptcy, insolvency or other similar Laws, now or hereafter in effect, affecting creditors' rights generally; and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

4.3 **No Conflict.** None of the execution, delivery or performance of this Agreement by Buyer Parent or Buyer or the consummation by Buyer Parent or Buyer of the Acquisition or the Plan of Arrangement or any other transaction contemplated by this Agreement will (with or without notice or lapse of time, or both): (a) conflict with or violate any provision of the articles of incorporation or bylaws, or any equivalent organizational or governing documents, of Buyer Parent or Buyer; (b) assuming that all consents, approvals, authorizations and permits described in Section 4.4 have been obtained and all filings and notifications described in Section 4.4 have been made and any waiting periods thereunder have terminated or expired, conflict with or violate any Law applicable to Buyer Parent or Buyer or any of their respective properties or assets; or (c) require any consent or approval under, violate, conflict with, result in any breach of or any loss of any benefit under, or constitute a default under, or result in termination or give to others any right of termination, vesting, amendment, acceleration or cancellation of, or result in the creation of a Lien upon any of the respective properties or assets of Buyer Parent or Buyer pursuant to, any Contract or permit to which Buyer Parent or Buyer is a party or by which they or any of their respective properties or assets are bound, except for any such conflicts, violations,

consents, approvals, authorizations, permits, breaches, losses, changes of control, defaults, other occurrences or Liens which, individually or in the aggregate are not material.

4.4 **Required Filings and Consents.** None of the execution, delivery or performance of this Agreement by Buyer Parent and Buyer or the consummation by Buyer Parent and Buyer of the Plan of Arrangement or of the Acquisition or any other transaction contemplated by this Agreement will require (with or without notice or lapse of time, or both) any consent, approval, authorization or permit of, or filing or registration or qualification with or notification to, any Governmental Entity, other than: (a) compliance with any applicable requirements of the *Competition Act*; (b) the approval of the BCUC under the *BC Utilities Commission Act*; (c) compliance with the applicable requirements of the Applicable Securities Laws; (d) filings as may be required under the rules and regulations of the Toronto Stock Exchange; (e) the notification of the transactions contemplated by this Agreement pursuant to the *Investment Canada Act*; and (f) where the failure to obtain such consents, approvals, authorizations or permits of, or to make such filings, registrations with or notifications to, any Governmental Entity, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on Buyer Parent and Buyer.

4.5 **Litigation.** There is no suit, claim, action, investigation, arbitration or proceeding to which Buyer Parent or Buyer is a party or with respect to which any of their respective property is affected, as the case may be, pending or, to the Knowledge of Buyer Parent, threatened that, individually or in the aggregate, would reasonably be expected to prevent or materially delay or materially impair the ability of Buyer Parent and Buyer to consummate the Plan of Arrangement, the Acquisition and the other transactions contemplated by this Agreement or challenges the validity or propriety of the Acquisition. Neither Buyer Parent nor Buyer is subject to any outstanding order, writ, injunction, judgment or decree that, individually or in the aggregate, would reasonably be expected to prevent or materially delay or materially impair the ability of Buyer Parent and Buyer to consummate the Plan of Arrangement, the Acquisition and the other transactions contemplated by this Agreement.

4.6 **Ownership of Company Common Shares.** None of Buyer Parent, Buyer or any affiliate or "joint actors" (as defined in MI 61-101) thereof beneficially owns or exercises control or direction over any Company Common Shares or any other securities convertible into or exchangeable or exercisable for, Company Common Shares. Save and except for the Support Agreements, no person is acting jointly or in concert with Buyer or Buyer Parent in connection with the Acquisition. None of Buyer or Buyer Parent or any of their respective affiliates or any "joint actor" has any agreement, commitment or understanding with any "related party" of the Company that would constitute a "collateral benefit" under MI 61-101.

4.7 **Funds.** Buyer Parent and Buyer will have at the Effective Time sufficient funds to consummate the Plan of Arrangement, the Acquisition and the other transactions contemplated hereby, including payment in full of the Aggregate Acquisition Consideration and all fees, costs and expenses in connection with the transactions contemplated hereby.

4.8 **Ownership of Buyer; No Prior Activities.** Buyer was formed solely for the purpose of engaging in the transactions contemplated by this Agreement. All of the outstanding Equity Interests of Buyer are, and at the Effective Time will be, owned directly by Buyer Parent.

Except for obligations or liabilities incurred in connection with its incorporation and the transactions contemplated by this Agreement, Buyer has not, and prior to the Effective Time will not have, incurred, directly or indirectly through any subsidiary or affiliate, any obligations or liabilities or engaged in any business activities of any type or kind whatsoever or entered into any agreements or arrangements with any Person.

4.9 **Knowledge of Material Adverse Effect.** Neither Buyer Parent nor Buyer is aware of any Company Material Adverse Effect as a result of its review of the Company Public Disclosure Record, Data Room Information or the Company Disclosure Letter and disclosure otherwise made available through discussions with the Company and its representatives.

4.10 **Management Agreements.** As of the date hereof, none of Buyer Parent, Buyer, or any of their respective executive officers or directors, has entered into any agreement, arrangement or understanding with any of the executive officers or directors of the Company, any Company Subsidiary or any Non-Controlled Entity that is currently in effect or would or is expected to become effective in the future (upon consummation of the Acquisition or the Plan of Arrangement or otherwise) with the exception of the Support Agreements.

ARTICLE 5
COVENANTS

5.1 **Conduct of Business Pending the Closing.**

(a) The Company agrees that until the earlier of the Effective Time and the time this Agreement is terminated in accordance with its terms, except as set forth in the Company Disclosure Letter or the Data Room Information, as contemplated by any other provision of this Agreement or as required by applicable Law, by a Governmental Entity or by the rules or requirements of the Toronto Stock Exchange, unless Buyer Parent shall otherwise agree in writing (which agreement shall not be unreasonably withheld, delayed or conditioned), the Company will, will cause each Company Subsidiary to and will use its commercially reasonable efforts to cause any Non-Controlled Entity to: (a) conduct its operations only in the ordinary course of business as heretofore conducted; (b) comply in all material respects with all Laws, orders and Company Permits applicable to them; and (c) use commercially reasonable efforts to preserve substantially intact its business organization and to maintain satisfactory relationships with third parties and Governmental Entities having significant business dealings with it and to keep available the services of its key officers and employees who are integral to the operation of its business; provided that the Company shall not be required to pay additional amounts to keep available such employees. Without limiting the foregoing, except as set forth in the Company Disclosure Letter or the Data Room Information, as contemplated by any other provision of this Agreement or as required by applicable Law, by a Governmental Entity or by the rules and requirements of the Toronto Stock Exchange, the Company shall not, and shall not permit any Company Subsidiary to, until the earlier of the Effective Time and the time this Agreement is terminated in accordance with its terms, do any of the

following without the prior written consent of Buyer Parent (which consent shall not be unreasonably withheld, delayed or conditioned):

(i) amend its articles, charter or bylaws or equivalent organizational documents;

(ii) issue or authorize the issuance, pledge, transfer, subject to any Lien, sell or otherwise encumber or dispose of, any Equity Interests in the Company or any Company Subsidiary, or securities convertible into, or exchangeable or exercisable for, any such Equity Interests, or any rights of any kind to acquire any such Equity Interests or such convertible or exchangeable securities, other than: (A) grant of Company Options in the ordinary course consistent with past practise (and not earlier than March 1, 2012) pursuant to the Company Option Plan not to exceed 30,000 Company Options; (B) the issuance of Company Common Shares upon the exercise of Company Options outstanding on the date hereof or otherwise permitted to be granted hereunder in accordance with their terms; or (C) issue Class A limited partnership units in the Narrows Inlet Limited Partnership pursuant to existing funding obligations;

(iii) sell, pledge, dispose of, transfer, lease, license or encumber any material property or assets of the Company or any Company Subsidiary, except in the ordinary course of business or pursuant to existing Material Contracts and except for: (A) dispositions of obsolete equipment or assets, or (B) dispositions in amounts not to exceed $500,000 individually or $1,500,000 in the aggregate;

(iv) declare, set aside, make or pay any dividend or other distribution (whether payable in cash, stock, property or a combination thereof) with respect to any of its capital stock (other than: (A) regular quarterly cash dividends paid by the Company in a manner that is consistent with past practice not to exceed $0.30 per Company Common Share in any quarter, (B) dividends payable on any Company Preferred Shares pursuant to their terms, or (C) dividends paid by a Company Subsidiary to the Company or another Company Subsidiary or to another existing holder of an Equity Interest in a Company Subsidiary in accordance with that other holder's proportionate Equity Interest);

(v) enter into any agreement with respect to the voting of its Equity Interests or reduce its authorized capital;

(vi) other than: (A) in the case of wholly-owned Company Subsidiaries, or (B) the redemption of Company Preferred Shares pursuant to the terms of such Company Preferred Shares, or (C) the purchase of Company Common Shares pursuant to the Company DSUs, or (D) the purchase of Company Options, reclassify, combine, split, subdivide or amend the terms of, or

redeem, purchase or otherwise acquire, directly or indirectly, any of its Equity Interests;

(vii) merge or consolidate the Company or any Company Subsidiary with any Person or adopt a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of the Company or any Company Subsidiary;

(viii) acquire (including by amalgamation, arrangement, consolidation or acquisition of securities or assets) any interest in any Person other than a Company Subsidiary or Non-Controlled Entity or any assets, other than acquisitions of assets in the ordinary course of business or pursuant to Section 5.1(xiv) or for consideration that is individually not in excess of $500,000, or in the aggregate not in excess of $1,500,000;

(ix) incur any indebtedness for borrowed money or issue any debt securities, or assume or guarantee the obligations of any Person (other than a wholly-owned Company Subsidiary) for borrowed money, except: (A) in connection with refinancings of existing indebtedness for borrowed money as such indebtedness matures upon market terms and conditions, (B) for borrowings in the ordinary course of business under the Company's existing credit facilities (or under refinancings of existing credit facilities pursuant to clause (A)), or (C) indebtedness for borrowed money that is prepayable at any time without penalty or premium, in an amount not to exceed $1,500,000 in the aggregate;

(x) make any loans, advances or capital contributions to, or investments in, any other Person (other than any Company Subsidiary or a Non-Controlled Entity) in excess of $1,500,000 in the aggregate except in accordance with the terms of existing Material Contracts;

(xi) except to the extent required by the existing terms of any Benefit Plan: (A) other than in the ordinary course of business, increase the compensation or benefits payable or to become payable to its directors, officers or employees; (B) grant any rights to severance or termination pay to, or enter into or amend any employment or severance agreement with, any director, officer or, other than in the ordinary course of business, employee of the Company or any Company Subsidiary, or establish, adopt, enter into or amend any collective bargaining, bonus, profit sharing, thrift, pension, retirement, deferred compensation, employment, termination, severance or other plan or agreement for the benefit of any director, officer or, other than in the ordinary course of business, employee; or (C) except in accordance with this Agreement and the Plan of Arrangement and except for any amendment of Company Options to provide for accelerated vesting and for the termination of all outstanding Company Options on the Effective Date, take any action to amend or waive any performance or

vesting criteria or accelerate vesting, exercisability or funding under any Benefit Plan;

(xii) make any material Tax election or settle or compromise any material liability for Taxes or prepare or cause to be prepared any material Tax Returns in a manner which is inconsistent with the past practices of any of the Company or any Company Subsidiary, as applicable, with respect to the treatment of items on such Tax Returns;

(xiii) make any material change in accounting policies or procedures, other than as required by GAAP;

(xiv) make or commit to make any capital expenditures in the period from the date hereof until December 31, 2011, or in the 12 month period ending December 31, 2012, that in the aggregate exceed the Company's 2011 capital expenditures budget or the Company's preliminary capital expenditure forecast with respect to the 12 month period ending December 31, 2012, as disclosed in the Data Room Information for such period plus $2,500,000 in either such period; provided, however, that notwithstanding the foregoing, the Company and any Company Subsidiary or Non-Controlled Entity shall be permitted to make emergency capital expenditures in any amount: (A) required by a Governmental Entity, or (B) that the Company determines is incurred in connection with the repair or replacement of facilities destroyed or damaged due to casualty or accident or natural disaster or other force majeure event necessary to maintain or restore safe, adequate and reliable service to customers;

(xv) terminate or permit any material Company Permit to lapse, other than in accordance with the terms and regular expiration of any such Company Permit or in the ordinary course of business, or fail to apply on a timely basis for any renewal of any renewable material Company Permit;

(xvi) (A) enter into, terminate, renew, amend or modify in any material respect any Material Contract, other than in the ordinary course of business consistent with past practice, or (B) waive, release, assign, pay, discharge, settle, or satisfy any material claims, liabilities or obligations (whether absolute, accrued, asserted or unasserted, contingent or otherwise), other than the waiver, release, assignment, payment, discharge, settlement or satisfaction of any such claims, liabilities or obligations in the ordinary course of business consistent with past practice, or as required by their terms as in effect on the date of this Agreement;

(xvii) plan, announce, implement or effect any reduction in workforce, lay-off, early retirement program, severance program or other program or effort concerning the termination of employment of employees of the Company or Company Subsidiary (other than employee terminations in the ordinary course of business);

(xviii) hire any officer-level employee or terminate the employment, other than for cause, of any officer-level employee;

(xix) institute, settle, or agree to settle any material litigation, investigation, proceeding, or other claim pending or threatened before any arbitrator, court or other Governmental Entity;

(xx) except for transactions between or among the Company, any Company Subsidiary or any Non-Controlled Entities, redeem, repurchase, defease, cancel or otherwise acquire any indebtedness for borrowed money of the Company or any Company Subsidiary or any Non-Controlled Entities, other than: (i) repayments or reborrowings under existing credit facilities; (ii) at or within one hundred twenty (120) days of stated maturity; (iii) pursuant to any required amortization payments and mandatory prepayments; or (iv) as permitted by clause (ix) above;

(xxi) (A) permit any material change in policies governing or otherwise relating to energy price risk management or marketing of energy other than as a result of acquisitions or capital expenditures permitted pursuant to Section 5.1(xiv); or (B) enter into any physical commodity transactions, exchange-traded futures and options transactions, over-the-counter transactions and derivatives thereof or similar transactions other than as permitted by the Company Risk Management Plan and the Company's Annual Gas Contracting Plan as accepted by the BCUC on July 21, 2011;

(xxii) take any action, permit any action by a Company Subsidiary or fail to take, or fail to cause any Company Subsidiary to take, any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of the Company to consummate the Arrangement or the other transactions contemplated by this Agreement or might reasonably be expected to result in one or more of the representations and warranties of the Company contained in this Agreement (without regard to materiality or Company Material Adverse Effect qualifiers contained within such representations and warranties) not being true and correct at the Effective Time other than those untrue or incorrect representations and warranties which, individually or in the aggregate, will not have a Company Material Adverse Effect; or

(xxiii) authorize or enter into any Contract to do any of the foregoing.

(b) Notwithstanding Section 5.1(a), the Company shall be entitled to: (i) initiate and proceed with its 2012 revenue requirements applications, and to effect any agreement, commitment, arrangement or consent with respect thereto; (ii) implement adjustments to its commodity cost of gas; and (iii) renew the Company Option Plan in accordance with the requirements of the Toronto Stock Exchange at its 2012 annual meeting of Company Common Shareholders.

(c) Buyer Parent will, promptly following the date hereof, designate two individuals from either of whom the Company may seek approval to undertake any actions not permitted to be taken under this Section 5.1, and will ensure that such persons will respond, on behalf of Buyer Parent, to the Company's requests in an expeditious manner but in any event no later than two (2) Business Days after the Company's request.

5.2 Access to Information; Confidentiality.

(a) From the date of this Agreement to the Effective Time, the Company shall, shall cause each Company Subsidiary, and shall use commercially reasonable efforts to cause any Non-Controlled Entity, and each of their respective directors, officers, employees, accountants, consultants, legal counsel, advisors, agents and other representatives (collectively, "**Company Representatives**") to: (i) provide to Buyer Parent and Buyer and their respective directors, officers, employees, accountants, consultants, legal counsel, advisors, agents, and other representatives (collectively, the "**Buyer Parent Representatives**") reasonable access during normal business hours in such a manner as not to interfere unreasonably with the operation of any business conducted by the Company, any Company Subsidiary or any Non-Controlled Entity, upon prior written notice to the Company, to the officers, employees, auditors, properties, offices and other facilities of the Company, the Company Subsidiaries and any Non-Controlled Entity and to the books and records thereof; (ii) furnish promptly information concerning the business, properties, contracts, assets and liabilities of the Company, the Company Subsidiaries and any Non-Controlled Entity as Buyer Parent or the Buyer Parent Representatives may reasonably request; and (iii) to the extent permitted by Law, furnish promptly each report, schedule and other document filed or received by the Company, any Company Subsidiary or any Non-Controlled Entity pursuant to the requirements of Applicable Securities Laws, the BCUC or any other Governmental Entity; provided, however, that the Company shall not be required to (or to cause any Company Subsidiary or any Non-Controlled Entity to) afford such access or furnish such information to the extent that the Company believes in good faith that doing so would: (A) result in the loss of solicitor-client privilege; (B) violate any obligations of the Company, any Company Subsidiary or any Non-Controlled Entity with respect to confidentiality to any third party or otherwise breach, contravene or violate any then effective Contract to which the Company, any Company Subsidiary or any Non-Controlled Entity is a party; (C) breach, contravene or violate any applicable Law (including the *Competition Act* or any other antitrust or competition Law); or (D) in the case of a Non-Controlled Entity, the Company does not have the authority to afford such access or furnish such information.

(b) With respect to the information disclosed pursuant to Section 5.2(a), Buyer Parent shall comply with, and shall cause Buyer and each Buyer Parent Representative to comply with, all of its obligations under the Buyer Parent Confidentiality Agreement.

5.3 No Solicitation of Transactions: Change of Company Board Recommendation.

(a) Subject to Section 5.3(b), from and after the date hereof until the Effective Time or, if earlier, the termination of this Agreement in accordance with Article 7, the Company shall not, and shall cause the Company Subsidiaries not to, and shall not authorize or permit any of its officers, directors, or employees to, and shall instruct and cause the Company Representatives not to on behalf of the Company, directly or indirectly, (i) initiate, solicit or knowingly take any action to encourage or facilitate the submission of any Acquisition Proposal, or any inquiry or proposal regarding an Acquisition Proposal, or (ii) enter into, continue or otherwise participate in any discussions or negotiations with any person, or furnish to any person any non-public information, with respect to an Acquisition Proposal, or any inquiry or proposal regarding an Acquisition Proposal. The Company shall, and shall cause the Company Subsidiaries to and request the Company Representatives to, immediately cease and cause to be terminated any discussion or negotiation with any Persons conducted prior to the date hereof by the Company, the Company Subsidiaries or any of the Company Representatives with respect to any Acquisition Proposal.

(b) Notwithstanding anything to the contrary contained in Section 5.3(a), if, at any time following the date hereof and prior to the Company securing the Company Shareholder Approval, (i) the Company has received a bona fide written Acquisition Proposal from a third party that was not solicited after the date hereof by the Company, the Company Subsidiaries or the Company Representatives and that did not otherwise result from a breach of this Section 5.3 and (ii) the Company Board determines in good faith, after consultation with its financial advisors and outside counsel, that such Acquisition Proposal constitutes or could reasonably be expected to lead to a Superior Proposal, then the Company may: (A) furnish information with respect to the Company, the Company Subsidiaries or any Non-Controlled Entities to the Person making such Acquisition Proposal and its representatives and (B) participate in discussions or negotiations with the Person making such Acquisition Proposal and its representatives regarding such Acquisition Proposal; provided, however, that the Company (1) will not, and will not allow the Company Subsidiaries and the Company Representatives to, disclose any information to such Person without first entering into an Acceptable Confidentiality Agreement, and (2) will provide to Buyer Parent any written material information concerning the Company, the Company Subsidiaries or any Non-Controlled Entities provided or made available to such other Person (or its representatives) within 24 hours of so providing or making available which was not previously provided or made available to Buyer Parent.

(c) The Company shall notify Buyer Parent in writing in the event that: (i) the Company receives any written bona fide Acquisition Proposal (including the material terms and conditions of such Acquisition Proposal) within 24 hours of the receipt thereof, and (ii) of any change to the material terms and conditions of such Acquisition Proposal within 24 hours of such change.

(d) Except as set forth in this Section 5.3, neither the Company Board nor any committee thereof shall: (i) approve or recommend, or publicly propose to approve or recommend, any Acquisition Proposal; (ii) withdraw or modify, in a manner adverse to Buyer Parent, or publicly propose to withdraw or modify, in a manner adverse to Buyer Parent, the Company Board Recommendation; (iii) following the date any Acquisition Proposal or any material modification thereto is first made public, sent or given to the shareholders of the Company, fail to issue a press release that expressly reaffirms the Company Board Recommendation within five (5) Business Days following Buyer Parent's written request to do so (which request may only be made once with respect to any such Acquisition Proposal and each material modification thereto) (any action set forth in the foregoing clauses (i), (ii) or (iii), a "**Change of Company Board Recommendation**"); (iv) allow or cause the Company or any of the Company Subsidiaries to enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, arrangement agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement relating to any Acquisition Proposal (which, for the avoidance of doubt, would not include an Acceptable Confidentiality Agreement) or requiring the Company to abandon, terminate, delay or fail to consummate the Plan of Arrangement, the Acquisition or any other transaction contemplated by this Agreement; or (v) release any third party from, grant any waiver of, or fail to enforce, any standstill or similar agreement.

(e) Notwithstanding anything to the contrary contained in Section 5.3(d), at any time prior to obtaining the Company Shareholder Approval and so long as the Company is in compliance with this Section 5.3, if the Company receives an Acquisition Proposal which the Company Board determines in good faith, after consultation with its financial advisors and outside counsel, constitutes or could reasonably be expected to lead to a Superior Proposal and such Acquisition Proposal is not withdrawn, the Company Board may make a Change of Company Board Recommendation if (and only if) the Company Board determines in good faith, after consultation with its financial advisors and outside counsel, that the failure to do so would be inconsistent with its fiduciary duties; provided, however, that the Company Board may not make a Change of Company Board Recommendation unless (i) the Company has provided prior written notice to Buyer Parent that the Company Board intends to effect a Change of Company Board Recommendation (a "**Notice of Change of Recommendation**"), which notice shall specify the reasons therefor and, in the case of a Superior Proposal, include the material terms and conditions of such Superior Proposal, (ii) the Company has negotiated in good faith with Buyer Parent with respect to any changes to the terms of this Agreement proposed by Buyer Parent for at least three (3) Business Days following receipt by Buyer Parent of such Notice of Change of Recommendation (it being understood and agreed that, in the case of a Superior Proposal, any amendment to any material term of such Superior Proposal shall require a new Notice of Change of Recommendation and an additional three (3) Business Day period from the date of such notice) and (iii) taking into account any changes to the terms of this Agreement proposed by Buyer Parent to the

Company, the Company Board has determined in good faith, after consultation with its financial advisors and outside counsel, that the failure by it to make a Change of Company Board Recommendation would be inconsistent with its fiduciary duties and, in the case of a Superior Proposal, such Superior Proposal continues to meet the definition of the term "Superior Proposal".

(f) Notwithstanding anything to the contrary contained in Section 5.3(d), at any time prior to obtaining the Company Shareholder Approval and so long as the Company is in compliance with this Section 5.3, if the Company receives an Acquisition Proposal which the Company Board determines in good faith, after consultation with its financial advisors and outside counsel, constitutes a Superior Proposal and such Acquisition Proposal has not been withdrawn, the Company may terminate this Agreement pursuant to Section 7.1 to enter into a definitive agreement with respect to such Superior Proposal if the Company Board determines in good faith, after consultation with its financial advisors and outside counsel, that the failure to do so would be inconsistent with its fiduciary duties under applicable Law; provided, however, that: (i) the Company has provided prior written notice to Buyer Parent that the Company intends to terminate this Agreement to enter into a definitive agreement with respect to such Superior Proposal (a "**Notice of Superior Proposal**"), which notice shall specify the material terms and conditions of such Superior Proposal; (ii) the Company has negotiated in good faith with Buyer Parent with respect to any changes to the terms of this Agreement proposed by Buyer Parent for at least three (3) Business Days following receipt by Buyer Parent of such Notice of Superior Proposal (it being understood and agreed that any amendment to any material term of such Superior Proposal shall require a new Notice of Superior Proposal and an additional three (3) Business Day period from the date of such notice), and (iii) taking into account any changes to the terms of this Agreement proposed by Buyer Parent to the Company, the Company Board has determined in good faith, after consultation with its financial advisors and outside counsel, that such Superior Proposal continues to meet the definition of the term "Superior Proposal" and the failure by it to terminate this Agreement to enter into the definitive agreement with respect to such Superior Proposal would be inconsistent with its fiduciary duties.

5.4 **Appropriate Action.**

(a) The Company, the Buyer Parent and the Buyer shall use their commercially reasonable efforts to: (i) take, or cause to be taken, all appropriate action and do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the Plan of Arrangement and the Acquisition and the other transactions contemplated by this Agreement as promptly as practicable; (ii) obtain from any Governmental Entities the approvals listed in Schedule B (the "**Required Regulatory Approvals**") together with any further consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained by Buyer Parent, Buyer or the Company, or to avoid any action or proceeding by any Governmental Entity, in connection with the

authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby; (iii) cause the satisfaction of all conditions set forth in Article 6; (iv) vigorously defend all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting this Agreement or the consummation of the transactions contemplated by this Agreement, in each case until the issuance of a final, non-appealable order; (v) seek to have lifted or rescinded any injunction or restraining order which may adversely affect the ability of the parties to consummate the transactions contemplated hereby; and (vi) as promptly as practicable, and in any event within 15 Business Days after the date hereof, make or cause to be made all necessary notifications, applications and filings, and thereafter make any other required submissions, and pay any fees due in connection therewith, with respect to this Agreement, the Plan of Arrangement and the Acquisition required under or with respect to the Required Regulatory Approvals; provided, that the Company, the Buyer Parent and the Buyer shall cooperate with each other in connection with determining whether any action by or in respect of, or filing with, any Governmental Entity is required in connection with the consummation of the Plan of Arrangement and the Acquisition and seeking any such actions, consents, approvals or waivers or making any such filings. The Company, the Buyer Parent and the Buyer shall furnish to each other all information required for any application or other filing under the rules and regulations of any applicable Law in connection with the transactions contemplated by this Agreement. Buyer Parent shall consult, in good faith, with the Company, in respect of all matters relating to the Required Regulatory Approvals and shall provide the Company with advance notice and an opportunity to attend in all meetings and in oral communications with any Governmental Entity relating to the Required Regulatory Approvals. Buyer Parent will provide the Company with reasonable advance opportunity to review and comment upon and will consider in good faith the views of the Company in connection with all written communications with a Governmental Entity regarding the Required Regulatory Approvals and will promptly provide the Company with copies of all written communications to or from any Governmental Entity relating to the Required Regulatory Approvals. Neither the Company nor Buyer Parent or the Buyer shall consent to any voluntary delay of the Effective Date at the behest of any Governmental Entity without the consent of the other, which consent shall not be unreasonably withheld, delayed or conditioned. Neither Buyer Parent or the Buyer nor the Company, directly or indirectly through one or more of their respective affiliates, shall take any action, including acquiring or making any investment in any corporation, partnership, limited liability company or other business organization or any division or assets thereof, that would reasonably be expected to cause a material delay in the satisfaction of the conditions contained in Article 6 or the consummation of the Plan of Arrangement and the Acquisition. The Buyer Parent shall pay all filing fees and expenses payable in connection with the Required Regulatory Approvals.

(b) Without limiting the foregoing, Buyer Parent agrees to take, or cause to be taken, any and all steps and to make, or cause to be made, any and all undertakings necessary to avoid or eliminate each and every impediment under the *Competition*

Act and the *BC Utilities Commission Act* applicable to the Buyer Parent, the Buyer, the Company, any Company Subsidiary or Non-Controlled Entity or the Plan of Arrangement or the Acquisition that may be asserted by any Governmental Entity with respect to the Plan of Arrangement or the Acquisition so as to enable the Effective Time to occur as promptly as practicable (and in any event, no later than the Extended Outside Date) and, including (A) agreeing to conditions imposed upon any Required Regulatory Approval imposed by any Governmental Entity and proposing, negotiating, committing to and effecting, by consent decree, hold separate order or otherwise, the sale, divestiture, licensing or disposition of assets or businesses of Buyer Parent, Buyer or the Company or any of their respective subsidiaries or (B) accepting any operational restrictions, including restrictions on the ability to change rates or charges or standards of service, or otherwise taking or committing to take actions that limit Buyer Parent's or its' subsidiary's freedom of action with respect to, or its ability to retain or freely operate, any of the assets, properties, licenses, rights, product lines, operations or businesses of Buyer Parent, Buyer, the Company or any of their respective subsidiaries, in each case as may be required in order to obtain a Required Regulatory Approvals or to avoid the entry of, or to effect the lifting or dissolution of, any injunction, temporary restraining order or other order in any suit or proceeding, which would otherwise have the effect of preventing or delaying the Effective Time. Notwithstanding the foregoing or anything in this Agreement to the contrary, Buyer Parent and Buyer shall not be required to, and the Company shall not, in connection with obtaining any consents or approvals hereunder, or in connection with otherwise complying with any provisions of this Agreement, consent to or take any action of the types described above, including agreeing to conditions, proposing or making any divestiture or other undertaking or proposing, accepting or entering into any consent decree, hold separate order or operational restriction, in each case, that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on Buyer Parent, Buyer and any other subsidiaries of Buyer Parent, taken as a whole. For the avoidance of doubt, none of the exclusions set forth in the definition of "Company Material Adverse Effect" shall be deemed to apply to any reference to "material adverse effect" in this Section 5.4(b); and, in respect of the approval of the BCUC under the *BC Utilities Commission Act*, the conditioning of the BCUC approval on any of the following shall be deemed not to constitute a "material adverse effect": (i) ring-fencing requirements, including without limitation, requirements that the Company or the Company Subsidiaries maintain a specified minimum percentage of common equity to total capital, restrictions on the declaration or payment of dividends; (ii) prohibitions on lending to, guaranteeing the obligations of or financially supporting any affiliate, prohibitions on entering into tax sharing agreements or transactions on non-arms length terms with affiliates and requirements to maintain banking and cash management arrangements and books and records separate from affiliates; (iii) requirements to maintain service standards at prescribed levels; and (iv) governance provisions including, without limitation, requirements to maintain existing governance policies, continuing independent director representation on the Company Board and requirements to

maintain the existing geographic location of the head office and of existing functions and data.

(c) The Company and Buyer Parent shall give (or shall cause their respective subsidiaries to give) any notices to third parties, and use, and cause their respective subsidiaries to use, their commercially reasonable efforts to obtain any third party consents (other than the Customary Post-Closing Consents): (i) necessary, proper or advisable to consummate the Plan of Arrangement or the Acquisition and the other transactions contemplated by this Agreement; or (ii) disclosed in the Company Disclosure Letter; provided, however that the Company and Buyer Parent shall coordinate and cooperate in determining whether any actions, consents, approvals or waivers are required to be obtained from parties to any Material Contracts in connection with consummation of the Plan of Arrangement or the Acquisition and in seeking any such actions, consents, approvals or waivers. In the event that either party shall fail to obtain any third party consent described in this Section 5.4(c), such party shall use its commercially reasonable efforts, and shall take any such actions reasonably requested by the other party hereto, to minimize any adverse effect upon the Company and Buyer Parent, their respective subsidiaries and their respective businesses resulting, or which could reasonably be expected to result, after the Effective Time, as applicable, from the failure to obtain such consent.

(d) Without limiting the generality of anything contained in this Section 5.4, each party hereto shall: (i) give the other parties prompt notice of the making or commencement of any request, inquiry, investigation, action or legal proceeding by or before any Governmental Entity with respect to the Plan of Arrangement, the Acquisition or any of the other transactions contemplated by this Agreement; (ii) keep the other parties informed as to the status of any such request, inquiry, investigation, action or legal proceeding; and (iii) promptly inform the other parties of any communication to or any Governmental Entity regarding the Plan of Arrangement or the Acquisition. Each party hereto will consult and cooperate with the other parties and will consider in good faith the views of the other parties in connection with any filing, analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal made or submitted in connection with the Acquisition or any of the other transactions contemplated by this Agreement. In addition, except as may be prohibited by any Governmental Entity or by any Law, in connection with any such request, inquiry, investigation, action or legal proceeding, each party hereto will permit authorized representatives of the other parties to be present at each meeting or conference relating to such request, inquiry, investigation, action or legal proceeding and to have access to and be consulted in connection with any document, opinion or proposal made or submitted to any Governmental Entity in connection with such request, inquiry, investigation, action or legal proceeding.

(e) Nothing contained in this Agreement shall give Buyer Parent or Buyer, directly or indirectly, the right to control or direct the operations of the Company prior to the Effective Time. Prior to the Effective Time, the Company shall exercise,

consistent with the terms and conditions of this Agreement, complete unilateral control and supervision over its business operations.

5.5 **Certain Notices.** From and after the date of this Agreement until the Effective Time, each party hereto shall promptly notify the other party hereto of: (a) the occurrence or non-occurrence of any event that, individually or in the aggregate, would reasonably be likely to cause any condition to the obligations of any party to effect the Acquisition, the Plan of Arrangement or any other transaction contemplated by this Agreement not to be satisfied; (b) the failure of the Company, Buyer Parent or Buyer, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it pursuant to this Agreement which, individually or in the aggregate, would reasonably be expected to result in any condition to the obligations of any party to effect the Plan of Arrangement, the Acquisition or any other transaction contemplated by this Agreement not to be satisfied; (c) any material actions, suits, claims or proceedings with respect to the transactions contemplated by this Agreement commenced against the Company, any Company Subsidiary, any Non-Controlled Entity, Buyer or Buyer Parent, as the case may be (and the Company shall give Buyer Parent the opportunity to participate in the defense and settlement of any shareholder litigation against the Company or its directors relating to this Agreement and the transactions contemplated hereby, and no such settlement shall be agreed to without Buyer Parent's prior written consent (which shall not be unreasonably withheld, delayed or conditioned)); and (d) any written notice or other written communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement; provided, however, that the delivery of any notice pursuant to this Section 5.5 shall not cure any breach of any representation, warranty, covenant or agreement contained in this Agreement or otherwise limit or affect the remedies available hereunder to the party receiving such notice.

5.6 **Public Announcements.** Each of the Company, Buyer Parent and Buyer agrees that no public release or announcement concerning the transactions contemplated hereby shall be issued by any party without the prior written consent of the Company and Buyer Parent (which consent shall not be unreasonably withheld, conditioned or delayed), except as such release or announcement may be required by applicable Law or the rules or regulations of any applicable stock exchange or Governmental Entity to which the relevant party is subject, in which case the party required to make the release or announcement shall use commercially reasonable efforts to allow each other party reasonable time to comment on such release or announcement in advance of such issuance. The Company, Buyer Parent and Buyer agree that the press releases (or joint press release) announcing the execution and delivery of this Agreement shall not be issued prior to the approval of each of the Company and Buyer Parent. Prior to making any material written communications to the employees of the Company or any Company Subsidiary, or material oral communications to a group of employees with respect to the transactions contemplated by this Agreement, the Company shall use commercially reasonable efforts to provide Buyer Parent with a copy of the intended communication, Buyer Parent shall have a reasonable period of time to review and comment on the communication, and Buyer Parent and the Company shall reasonably cooperate in providing any such mutually agreeable communication.

5.7 Indemnification and Insurance of Directors and Officers.

(a) For a period beginning at the Effective Time and ending on the sixth (6^{th}) anniversary of the Effective Time, Buyer Parent shall cause the Company and the Company Subsidiaries (including any successors thereto), as applicable, to indemnify and hold harmless all past and present directors, officers and employees of the Company, any Company Subsidiary or any Non-Controlled Entity to the same extent such Persons are indemnified as of the date of this Agreement by the Company or any Company Subsidiary or Non-Controlled Entity pursuant to applicable Law, the Company Articles or equivalent organizational or governing documents of any Company Subsidiary, and indemnification agreements in existence on the date of this Agreement with any directors, officers, and employees of the Company, any Company Subsidiary, or any Non-Controlled Entity, arising out of acts or omissions in their capacity as directors, officers or employees of the Company, any Company Subsidiary or any Non-Controlled Entity occurring at or prior to the Effective Time; provided, however, that Buyer Parent shall cause the Company and the Company Subsidiaries and Non-Controlled Entities (including any successors thereto) to indemnify and hold harmless such persons to the fullest extent permitted by applicable Law for acts or omissions occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby. Buyer Parent shall cause the Company and the Company Subsidiaries (including any successors thereto) to advance expenses (including reasonable legal fees and expenses) incurred in the defense of any claim, action, suit, proceeding or investigation with respect to the matters subject to indemnification pursuant to this Section 5.7(a) in accordance with the procedures set forth in the Company Articles or equivalent organizational document of any Company Subsidiary or Non-Controlled Entity and indemnification agreements in existence on the date of this Agreement including any expenses incurred in enforcing such Person's rights under this Section 5.7, regardless of whether indemnification with respect to or advancement of such expenses is authorized under the Company Articles or equivalent organizational document, of any Company Subsidiary or Non-Controlled Entity, or such indemnification agreements. Notwithstanding anything herein to the contrary, if any claim, action, suit, proceeding or investigation (whether arising before, at or after the Effective Time) is made against such persons with respect to matters subject to indemnification hereunder on or prior to the sixth (6^{th}) anniversary of the Effective Time, the provisions of this Section 5.7(a) shall continue in effect until the final disposition of such claim, action, suit, proceeding or investigation.

(b) For not less than six (6) years from and after the Effective Time, the Company Articles and the equivalent organizational and governing documents of the Company Subsidiaries and the Non-Controlled Entities (including any successors thereto) shall contain provisions no less favorable with respect to exculpation, indemnification and advancement of expenses of directors, officers and employees of the Company, the Company Subsidiaries and the Non-Controlled Entities for periods at or prior to the Effective Time than are currently set forth in

the Company Articles or equivalent organizational or governing documents of any Company Subsidiary and Non-Controlled Entities, as applicable. The indemnification agreements in existence on the date of this Agreement with any of the directors, officers or employees of the Company or any Company Subsidiary shall be assumed by Buyer, without any further action, and shall continue in full force and effect in accordance with their terms following the Effective Time.

(c) For the benefit of the Company's directors and officers, as of the date of this Agreement and as of the Effective Time, the Company shall be permitted, prior to the Effective Time, to obtain and fully pay the premium for an insurance and indemnification policy that provides coverage for a period of six (6) years from and after the Effective Time for events occurring prior to the Effective Time (the "**D&O Insurance**") that is substantially equivalent to and in any event not less favorable in the aggregate than the Company's existing policy or, if substantially equivalent insurance coverage is unavailable, the best available coverage. If the Company is unable to or otherwise does not purchase such D&O Insurance prior to the Effective Time, Buyer Parent shall, as of the Effective Time, obtain and fully pay the premium for D&O Insurance that is substantially equivalent to and in any event not less favorable in the aggregate than the Company's existing policy. The Buyer Parent shall maintain such policies in full force and effect, and continue to honour the obligations thereunder, for a period of not less than six (6) years from and after the Effective Time.

(d) In the event Buyer Parent: (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger; or (ii) transfers all or substantially all of its properties and assets to any Person, then proper provision shall be made so that such continuing or surviving corporation or entity or transferee of such assets, as the case may be, shall assume the obligations set forth in this Section 5.7.

(e) In the event that Buyer Parent or Buyer causes the Company to: (i) consolidate or merge into any other Person and the Company is not the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfer all or substantially all of its properties and assets to any Person, then proper provision shall be made so that such continuing or surviving corporation or entity or transferee of such assets, as the case may be, shall assume the obligations set forth in this Section 5.7.

(f) The obligations under this Section 5.7 shall not be terminated or modified in such a manner as to adversely affect any past or present directors, officers and employees of the Company to whom this Section 5.7 applies without the consent of such affected Person.

5.8 **Transfer Taxes.** All securities transfer, real estate transfer, documentary, stamp, recording and other similar Taxes (including interest, penalties and additions to any such Taxes) ("**Transfer Taxes**") incurred in connection with the transactions contemplated by this

Agreement, including the Acquisition, (other than such Taxes required to be paid by reason of the payment of the Aggregate Acquisition Consideration to a Person other than the holder of record of the Company Common Shares with respect to which such payment is made) shall be paid by Buyer and the Company shall cooperate with Buyer and Buyer Parent in preparing, executing and filing any Tax Returns with respect to such Transfer Taxes.

5.9 Benefit Plans, Employment Agreements and Resignations.

(a) Each of Buyer Parent and Buyer acknowledges that the purchase of Company Common Shares pursuant to the Acquisition will constitute a change-of-control transaction under certain of the Company's employee benefit plans and under certain of the Company's change of control agreements and employment agreements, as provided in the Data Room Information or as disclosed in the Company Public Disclosure Record or the Company Disclosure Letter, and Buyer shall, following the acceptance of Company Common Shares pursuant to the Acquisition, cause the Company to honour its obligations thereunder, including by paying to the individuals or other persons the benefits granted to them under such plans or agreements, in such amounts as result from the calculation in respect thereof in the manner disclosed in the Data Room Information or the Company Disclosure Letter. Buyer Parent and Buyer will ensure that the Company satisfies such obligations.

(b) The Company will use its commercially reasonable efforts to obtain and deliver to Buyer Parent evidence reasonably satisfactory to Buyer Parent of the resignation, effective as of the Effective Date, of each director of the Company and the Company Subsidiaries other than those whom Buyer Parent shall have specified in writing at least 10 business days prior to the Effective Date.

5.10 Changes to Company Options and Company DSUs. Prior to the Effective Time, the Company Board (or, if appropriate, a committee thereof) shall adopt appropriate resolutions and take all other actions necessary and appropriate to provide that, immediately prior to the Effective Time, the vesting of each then unexpired and unexercised Company Option shall be fully accelerated. On or before the Effective Time, the Company may terminate the Company DSU Plan and may purchase all of the then outstanding Company DSUs for an amount per Company DSU not in excess of the Acquisition Consideration.

5.11 Tax Election. On or immediately prior to the Effective Date, the Company may purchase any outstanding and unexercised Company Option, whether vested or unvested, for an amount equal to the excess of the Acquisition Consideration over the exercise price of the particular Company Option (the "**Option Consideration**") and, in this regard, the Company shall: (i) make the election in paragraph 110(1.1)(a) of the *Tax Act* in prescribed form and in a timely manner that it and any Person that does not deal at arm's length with the Company shall not take a deduction when computing taxable income under the *Tax Act* for the payment of the Option Consideration and purchase of the Company Options; (ii) file that election with the Minister of National Revenue in accordance with paragraph 110(1.1)(b) of the *Tax Act*; and (iii) provide the holder of each Company Option with evidence in writing of such election in accordance with paragraph 110(1.1)(c) of the *Tax Act*.

5.12 Privacy Matters.

(a) Buyer Parent and Buyer acknowledge and agree that certain information provided by the Company to the Buyer Parent and Buyer in connection with the transactions contemplated hereunder constitutes personal information (the "**Disclosed Personal Information**"), that the disclosure of the Disclosed Personal Information relates solely to the carrying on of the business of the Company, or the completion of the Acquisition and that, as contemplated by the terms of the Buyer Parent Confidentiality Agreement, until the earlier of the Effective Date or termination of this Agreement such Disclosed Personal Information:

(i) may not be used for any purpose other than those related to the performance of this Agreement; and

(ii) must be kept strictly confidential and the Buyer Parent and Buyer shall ensure that access to such Disclosed Personal Information shall be restricted to those Buyer Parent Representatives who need to know the information for the purpose of evaluating the Acquisition and shall instruct those Buyer Parent Representatives to protect the confidentiality of such information in a manner consistent with Buyer Parent and Buyer's obligations hereunder and to use it solely in their evaluation of the Acquisition;

(b) Upon the termination of this Agreement, Buyer Parent and Buyer shall forthwith cease all use of the Disclosed Personal Information acquired by Buyer Parent and Buyer in connection with this Agreement and shall promptly destroy in a secure manner the Disclosed Personal Information (and any copies).

(c) Until the earlier of the Effective Date or termination of this Agreement, in addition to the foregoing obligations contained in the Buyer Parent Confidentiality Agreement:

(i) Buyer Parent and Buyer agree to employ appropriate technology and procedures to prevent accidental loss or corruption of such Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of the Disclosed Personal Information; and

(ii) Each of the Company, the Buyer Parent and Buyer agree to promptly notify the other of all inquiries, complaints, requests for access, and claims of which the party is made aware in connection with the Disclosed Personal Information. The parties shall fully co-operate with one another, with the Persons to whom the Disclosed Personal Information relates, and any Governmental Entity charged with enforcement of applicable privacy Laws, in responding to such inquiries, complaints, requests for access, and claims.

(d) Buyer Parent hereby acknowledges that all personal information relating to employees, customers, directors, officers or shareholders of the Company, any Company Subsidiaries and any Non-Controlled Entities shall be maintained in accordance with the *Personal Information Protection Act* (British Columbia) and the Buyer Parent agrees to comply with Section 20 of such legislation. Buyer Parent acknowledges and represents that any such personal information provided to it is necessary for Buyer Parent to determine whether to proceed with the Acquisition and Buyer Parent covenants to use or disclose such personal information solely for purposes related to the Acquisition.

ARTICLE 6
CONDITIONS PRECEDENT

6.1 Conditions to Obligations of Each Party to Effect the Plan of Arrangement and the Acquisition. The respective obligations of each Party to effect the Plan of Arrangement and the Acquisition shall be subject to the satisfaction or waiver by a joint action of the parties hereto at or prior to the Effective Time of each of the following conditions:

(a) Interim Order. The Interim Order shall have been obtained in form and on terms satisfactory to each of the parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the parties, each acting reasonably, on appeal or otherwise.

(b) Approval of Arrangement Resolution. The Arrangement Resolution shall have been approved and adopted at the Company Shareholder Meeting by the Company Shareholders in accordance with the Interim Order.

(c) Final Order. The Final Order shall have been obtained in form and on terms satisfactory to each of the parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the parties, each acting reasonably, on appeal or otherwise.

(d) No Injunction. No federal or provincial court of competent jurisdiction or other Governmental Entity shall have enacted, issued, promulgated, enforced or entered any order, decree, judgment, injunction or other ruling or Law (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of the Plan of Arrangement or the Acquisition; provided, however, that the condition in this Section 6.1(d) shall not be available to any party whose failure to fulfill its obligations pursuant to Section 5.4 shall have been the cause of, or shall have resulted in, such order, decree, judgment, injunction or other ruling.

(e) Governmental Approvals. The Required Regulatory Approvals shall have been obtained (including approval of the BCUC under the *BC Utilities Commission Act* and the issuance of a favourable no-action letter or advance ruling certificate from the Commissioner of Competition or the expiration or termination of any

applicable waiting period, together with any extensions thereof, under the *Competition Act*) at or prior to the Effective Time.

6.2 Additional Conditions to Obligations of Buyer Parent and Buyer. The obligations of Buyer Parent and Buyer to effect the Plan of Arrangement and the Acquisition are also subject to the satisfaction or waiver by Buyer Parent at or prior to the Effective Time of each of the following additional conditions:

(a) Representations and Warranties. (i) Each of the representations and warranties of the Company contained in this Agreement (other than the representations and warranties of the Company set forth in Sections 3.2(a), 3.2(b), 3.2(c) and 3.3), without regard to materiality or Company Material Adverse Effect qualifiers contained within such representations and warranties, shall be true and correct as of the date hereof and as of the Effective Time as though made on and as of the Effective Time (except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date); provided, however, that the condition in this Section 6.2(a)(i) shall be deemed to be satisfied so long as any failure of such representations and warranties to be true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect; and (ii) the representations and warranties of the Company set forth in Sections 3.2(a), 3.2(b) and 3.2(c) shall be true and correct in all respects (except for *de minimis* inaccuracies) and Section 3.3 shall be true and correct in all material respects, as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that those representations and warranties that address matters only as of a particular date need only be true and correct in all material respects as of such date). Buyer Parent shall have received a certificate signed on behalf of the Company by the Chief Executive Officer or the Chief Financial Officer of the Company, in their capacity as such, as to the satisfaction of the condition in this Section 6.2(a), which certificate will cease to have any force and effect after the Effective Time.

(b) Agreements and Covenants. The Company shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time. Buyer Parent shall have received a certificate signed on behalf of the Company by the Chief Executive Officer or Chief Financial Officer of the Company as to the satisfaction of the condition in this Section 6.2(b), which certificate will cease to have any force and effect after the Effective Time.

(c) Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any Company Material Adverse Effect or any event or development that would, individually or in the aggregate, result in a Company Material Adverse Effect.

(d) Dissent Rights. Holders of no more than 10% of the Company Common Shares shall have exercised Dissent Rights (and not withdrawn such exercise) and Buyer

Parent shall have received a certificate signed on behalf of the Company by the Chief Executive Officer confirming the same as at the Effective Date.

(e) Company Options. All of the Company Options shall have been exercised, repurchased by the Company or terminated.

6.3 Additional Conditions to Obligations of the Company. The obligations of the Company to effect the Plan of Arrangement and the Acquisition are also subject to the satisfaction or waiver by the Company at or prior to the Effective Time of each of the following additional conditions:

(a) Representations and Warranties. (i) Each of the representations and warranties of Buyer Parent and Buyer contained in this Agreement (other than the representations and warranties of Buyer Parent set forth in Section 4.2) without regard to materiality qualifiers contained within such representations and warranties, shall be true and correct as of the date hereof and as of the Effective Time as though made on and as of the Effective Time (except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date); provided, however, that the condition in this Section 6.3(a)(i) shall be deemed to be satisfied so long as any failure of such representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to prevent or materially delay or materially impair the ability of Buyer Parent and Buyer to consummate the Acquisition and the other transactions contemplated by this Agreement; and (ii) the representations and warranties of Buyer Parent set forth in Section 4.2 shall be true and correct in all respects as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that those representations and warranties that address matters only as of a particular date need only be true and correct in all material respects as of such date). The Company shall have received a certificate signed on behalf of the Buyer Parent by the Chief Executive Officer or Chief Financial Officer of Buyer Parent, in their capacity as such, as to the satisfaction of the condition in this Section 6.3(a), which certificate will cease to have any force and effect after the Effective Time.

(b) Agreements and Covenants. Each of Buyer Parent and Buyer shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time. The Company shall have received a certificate signed on behalf of Buyer Parent by the Chief Executive Officer or Chief Financial Officer of Buyer Parent as to the satisfaction of the condition in this Section 6.3(b), which certificate will cease to have any force and effect after the Effective Time.

(c) Governmental Approvals. The approval of the Acquisition and the other transactions contemplated by this Agreement from the BCUC under the *BC Utilities Commission Act* shall not contain any term that has the effect of reducing the Acquisition Consideration to be received by the holders of Company Common Shares in their capacity as such, and any Required Regulatory Approval that

would reasonably be expected to contain such a term shall have been obtained prior to the Final Order.

(d) Sufficient Funds. Buyer will have, prior to 3:00 p.m. (Vancouver time) on the day immediately prior to the Effective Date, deposited with the Depositary sufficient funds to complete the transactions contemplated by Section 3.1 of the Plan of Arrangement and the Depositary will have confirmed to the Company the receipt of such funds, which will be held by the Depositary in an escrow or restricted account agreement among Buyer, the Company and the Depositary, reasonably satisfactory to all parties thereto, pursuant to which, among other things, the Depositary will be irrevocably authorized and instructed to release the funds to the Depositary, in its capacity as depositary in respect of the Arrangement upon the Arrangement becoming effective.

ARTICLE 7
TERMINATION, AMENDMENT AND WAIVER

7.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after receipt of the Company Shareholder Approval:

(a) by mutual written consent of Buyer Parent and the Company;

(b) by either the Company or Buyer Parent, if the Effective Time shall not have occurred on or before the Initial Outside Date; provided, however, that if on the Initial Outside Date the condition set forth in Section 6.1(e) shall not have been satisfied, but all other conditions set out in Article 6 shall have been satisfied or waived (or shall be capable of being satisfied at the Effective Date), then the Initial Outside Date shall be extended to the Extended Outside Date; and provided that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party if the failure of the Effective Time to occur on or before such date is the result of such party having breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement;

(c) by either the Company or Buyer Parent, if the Company Shareholder Approval shall not have been obtained upon a vote taken thereon at the Company Shareholder Meeting (including any adjournment or postponement thereof); provided, however, that the right to terminate under this Section 7.1(c) shall not be available to the Company where the failure to obtain the Company Shareholder Approval shall have been caused by the Company's breach of Section 5.3;

(d) by either the Company or Buyer Parent, if any court of competent jurisdiction or other Governmental Entity shall have issued an order or injunction or taken any other action, in each case, permanently enjoining, restraining or prohibiting the Acquisition, and such order, injunction or other action shall have become final and non-appealable (which order, injunction or other action the party seeking to terminate this Agreement shall have used its reasonable best efforts to resist, resolve or lift, as applicable);

(e) by Buyer Parent, at any time prior to the receipt of the Company Shareholder Approval, if (i) the Company Board shall have effected a Change of Company Board Recommendation (whether or not in compliance with Section 5.3(e)) or (ii) the Company shall have entered into a definitive agreement with respect to a Superior Proposal;

(f) by the Company, at any time prior to the receipt of the Company Shareholder Approval, in accordance with the provisions of Section 5.3(f); provided, however, that the Company shall have complied with all of the requirements of Section 5.3(f);

(g) by Buyer Parent, if: (i) (A) the Company has breached or failed to perform any of its representations, warranties, covenants or agreements contained in this Agreement, in any case, such that a condition contained in Section 6.2(a) or 6.2(b) is not reasonably capable of being satisfied; (B) Buyer Parent shall have delivered to the Company written notice of such breach or failure to perform; and (C) either such breach or failure to perform is not capable of cure or at least 45 days shall have elapsed since the date of delivery of such written notice to the Company and such breach or failure to perform shall not have been cured; provided, however, that Buyer Parent shall not be permitted to terminate this Agreement pursuant to this Section 7.1(g) if Buyer Parent or Buyer has breached or failed to perform any of its representations, warranties, covenants or agreements contained in this Agreement, in any case, such that a condition contained in Section 6.3(a) or 6.3(b) is not reasonably capable of being satisfied; or (ii) all of the conditions in Sections 6.1 and 6.3 (other than those conditions that by their nature are to be satisfied at the Effective Date) have been satisfied or waived and the Company has failed to give effect to the Arrangement pursuant to Section 2.2(d);

(h) by the Company, if: (i) (A) Buyer Parent or Buyer has breached or failed to perform any of its representations, warranties, covenants or agreements contained in this Agreement, in any case, such that a condition contained in Section 6.3(a), 6.3(b) or 6.3(d) is not reasonably capable of being satisfied; (B) the Company shall have delivered to Buyer Parent written notice of such breach or failure to perform; and (C) either such breach or failure to perform is not capable of cure or at least 30 days shall have elapsed since the date of delivery of such written notice to Buyer Parent and such breach or failure to perform shall not have been cured; provided, however, that the Company shall not be permitted to terminate this Agreement pursuant to this Section 7.1(h)(i) if the Company has breached or failed to perform any of its representations, warranties, covenants or agreements contained in this Agreement, in any case, such that a condition contained in Section 6.2(a) or 6.2(b) is not reasonably capable of being satisfied; or (ii) all of the conditions in Sections 6.1 and 6.2 (other than those conditions that by their nature are to be satisfied at the Effective Date) have been satisfied or waived and Buyer Parent and Buyer have failed to give effect to the Arrangement pursuant to Section 2.8; or

(i) by Buyer Parent if the Company wilfully, intentionally or materially breaches Section 5.3.

7.2 Effect of Termination.

(a) In the event of termination of this Agreement by either the Company or Buyer Parent as provided in Section 7.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Buyer Parent, Buyer or the Company or their respective officers or directors, in either case, except (i) with respect to Sections 2.5(f), 2.7 and 5.7, this Section 7.2 and Article 8, (ii) with respect to any liabilities or damages incurred or suffered by a party as a result of the wilful and material breach by another party of any of its representations, warranties, covenants or agreements set forth in this Agreement, or (iii) with respect to any damages incurred or suffered by the Company or its shareholders resulting from a breach by Buyer Parent or Buyer of Section 4.7.

(b) In the event that this Agreement is terminated:

(i) by (A) Buyer Parent pursuant to Section 7.1(e) or Section 7.1(i) or (B) the Company pursuant to Section 7.1(f), then the Company shall pay to Buyer Parent, within five (5) Business Days following the date of such termination, a termination fee of $5,000,000 (the "**Company Termination Fee**"); or

(ii) (A) by (1) either Buyer Parent or the Company pursuant to Section 7.1(b) or Section 7.1(c) or (2) Buyer Parent pursuant to Section 7.1(g)), and (B) prior to the termination pursuant to Section 7.1(b), the Company Shareholder Meeting or the breach or failure to perform giving rise to Buyer Parent's right to terminate under Section 7.1(g), as the case may be, an Acquisition Proposal involving the Company shall have been made to the Company or the Company Board or publicly disclosed and, in each case, not withdrawn, and (C) within six (6) months after the termination of this Agreement, the Company shall have consummated, an Acquisition Proposal, then the Company shall pay to Buyer Parent, within five (5) Business Days after the date the Company consummates an Acquisition Proposal, the Company Termination Fee.

(c) Any payment under this Section 7.2 shall be made by wire transfer of immediately available funds to an account designated in writing by Buyer Parent.

(d) Each of the Company, Buyer Parent and Buyer acknowledges that (i) the agreements contained in this Section 7.2 are an integral part of the transactions contemplated by this Agreement and (ii) without these agreements, Buyer Parent, Buyer and the Company would not enter into this Agreement. It is acknowledged and agreed that the Company Termination Fee is not a penalty, but rather is liquidated damages in a reasonable amount that will compensate Buyer Parent and Buyer in the circumstances in which the Company Termination Fee is payable. In

no event shall the Company be required to pay to Buyer Parent more than one Company Termination Fee pursuant to Section 7.2(b).

7.3 **Amendment.** This Agreement may be amended by the Company, Buyer Parent and Buyer by action taken by or on behalf of their respective Boards of Directors at any time prior to the Effective Time; provided, however, that, after receipt of the Company Shareholder Approval, no amendment may be made which, by Law or in accordance with the rules of the Toronto Stock Exchange, requires further approval by the Company's Common Shareholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed by each of the parties hereto.

7.4 **Waiver.** At any time prior to the Effective Time, Buyer Parent and Buyer, on the one hand, and the Company, on the other hand, may (a) extend the time for the performance of any of the obligations or other acts of the other, (b) waive any breach of the representations and warranties of the other contained herein or in any document delivered pursuant hereto and (c) waive compliance by the other with any of the covenants or conditions contained herein; provided, however, that after receipt of the Company Shareholder Approval, there may not be any extension or waiver of this Agreement which decreases the Aggregate Acquisition Consideration or which adversely affects the rights of the Company Common Shareholders hereunder without the approval of such shareholders at a duly convened meeting of the Company's Common Shareholders called to obtain approval of such extension or waiver. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party or parties to be bound thereby, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE 8
GENERAL PROVISIONS

8.1 **Non-Survival of Representations and Warranties.** None of the representations and warranties contained in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. Except for any covenant or agreement that by its terms contemplates performance after the Effective Time, none of the covenants and agreements of the parties contained in this Agreement shall survive the Effective Time.

8.2 **Fees and Expenses.** Unless otherwise provided in this Agreement, whether or not the Acquisition is consummated, all fees and expenses incurred by the parties hereto shall be borne solely and entirely by the party which has incurred the same; provided, however, that all fees and expenses associated with filings made pursuant to the *Competition Act* shall be paid by Buyer Parent.

8.3 **Currency.** Unless otherwise stated, all references in this Agreement to sums of money are expressed in and all payments provided for herein shall be made in lawful money of Canada.

8.4 **Notices.** Any notices or other communications required or permitted under, or otherwise given in connection with, this Agreement shall be in writing and shall be deemed to

have been duly given (a) when delivered or sent if delivered in person or sent by facsimile transmission or email transmission (provided confirmation of facsimile transmission or email transmission is obtained), (b) on the fifth (5^{th}) Business Day after dispatch by registered or certified mail or (c) on the next Business Day if transmitted by national overnight courier, in each case as follows:

If to Buyer Parent or Buyer, addressed to it at:

AltaGas Ltd.
1700, 355 – 4^{th} Avenue S.W.
Calgary, Alberta T2P 0J1
Canada
Fax: (403) 691-7508
Email: david.wright@altagas.ca
Attention: Executive Vice President, Strategy and Corporate Development

with a copy, as attorney for service in the Province of British Columbia, to:

Stikeman Elliott LLP
Suite 1770, Park Place
666 Burrard Street
Fax: (604) 631-1300
Email: cnixon@stikeman.com
Attention: Chris Nixon

If to the Company, addressed to it at:

Pacific Northern Gas Ltd.
#950 – 1185 West Georgia Street
Vancouver, BC V6E 4E6
Fax: (604) 697-6215
Email: RDyce@png.ca
Attention: President

with copies to (for information purposes only):

Farris, Vaughan, Wills & Murphy LLP
#2500 – 700 West Georgia Street
Vancouver, BC V7Y 1B3
Fax: (604) 661-9349
Email: ahudec@farris.com
Attention: Al Hudec

8.5 **Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in

good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

8.6 Entire Agreement. This Agreement (together with the Schedules attached hereto and the Company Disclosure Letter) and the Buyer Parent Confidentiality Agreement constitute the entire agreement of the parties and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof and, except as otherwise expressly provided herein, are not intended to confer upon any other Person any rights or remedies hereunder.

8.7 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned or transferred, in whole or in part, by operation of Law or otherwise by any of the parties hereto without the prior written consent of the other parties. Any assignment or transfer in violation of the preceding sentence shall be void.

8.8 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, other than: (a) any Persons entitled to indemnification or payments under the provisions of Section 5.7 or Section 5.9, and (b) the Company Common Shareholders with respect to the lost opportunity to receive the Acquisition Consideration in the event of breach of this Agreement by Buyer Parent or Buyer. The Company and any successors of the Company will hold the rights and benefits of Section 5.7 and Section 5.9 and the rights referred to in Section 8.8(b) in trust for and on behalf of the intended beneficiaries thereof and the Company hereby accepts such trust and agrees to hold for the benefit of and enforce performances of such covenants on behalf of such beneficiaries and such rights are in addition to, and not in substitution for, any other rights that any beneficiary may have by contract or otherwise.

8.9 Interpretation; Mutual Drafting. For purposes of this Agreement, whenever the context requires: (i) the singular number shall include the plural, and vice versa; (ii) the masculine gender shall include the feminine and neuter genders; (iii) the feminine gender shall include the masculine and neuter genders; and (iv) the neuter gender shall include masculine and feminine genders. As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation." Except as otherwise indicated, all references in this Agreement to "Sections" and "Schedules," are intended to refer to Sections of this Agreement and Schedules to this Agreement. All references in this Agreement to "$" are intended to refer to Canadian dollars. Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. Each party hereto has participated in the drafting of this Agreement, which each party acknowledges is the result of extensive negotiations between the parties. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision.

8.10 Governing Law; Consent to Jurisdiction.

(a) This Agreement shall be governed by, and construed in accordance with the Laws of the Province of British Columbia, and the laws of Canada applicable therein, and shall be construed and treated in all respects as a British Columbia contract.

(b) Each of the parties hereto irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any court of the Province of British Columbia located in Vancouver, British Columbia, in any action or proceeding arising out of or relating to this Agreement or the agreements delivered in connection herewith or the transactions contemplated hereby or thereby or for recognition or enforcement of any judgment relating hereto or thereto, and each of the parties hereby irrevocably and unconditionally (i) agrees not to commence any such action or proceeding except in such court, (ii) agrees that any claim in respect of any such action or proceeding may be heard and determined in such court, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such action or proceeding in such court, and (iv) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in such court located in the Province of British Columbia. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 8.4. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by Law.

8.11 Counterparts. This Agreement may be executed in two or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile or by electronic delivery in .pdf format shall be sufficient to bind the parties to the terms and conditions of this Agreement.

8.12 Specific Performance.

(a) The parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the parties hereto do not perform the provisions of this Agreement (including failing to take such actions as are required of it hereunder in order to consummate this Agreement) or otherwise breach such provisions. The parties acknowledge and agree that each party hereto shall be entitled to an injunction, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically in any court of the Province of British Columbia the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity. Each party hereto agrees that it will not oppose the granting of an injunction, specific performance or other equitable relief on the

basis that (1) the other party has an adequate remedy at law or (2) an award of specific performance is not an appropriate remedy for any reason at law or equity.

(b) The parties further agree that (i) the seeking of the remedies provided for in Section 8.12(a) shall not in any respect constitute a waiver by any party seeking such remedies of its respective right to seek any other form of relief that may be available to it under this Agreement.

Remainder of the Page Intentionally Left Blank

IN WITNESS WHEREOF, Buyer Parent, Buyer and the Company have caused this Agreement to be executed as of the date first written above by their respective duly authorized signatories.

ALTAGAS LTD.

By: *"David W. Cornhill"*
Name: David W. Cornhill
Title: Chairman and Chief Executive Officer

By: *"David R. Wright"*
Name: David R. Wright
Title: Executive Vice President, Strategy and Corporate Development

ALTAGAS UTILITY HOLDINGS (PACIFIC) INC.

By: *"David W. Cornhill"*
Name: David W. Cornhill
Title: Chairman and Chief Executive Officer

By: *"David R. Wright"*
Name: David R. Wright
Title: Executive Vice President, Strategy and Corporate Development

PACIFIC NORTHERN GAS LTD.

By: *"Roy Dyce"*
Name: Roy Dyce
Title: President and Chief Executive Officer

SCHEDULE A

FORM OF PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT
UNDER THE PROVISIONS OF SECTION 288
OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

(a) "**Acquisition Agreement**" means the agreement dated effective October 30, 2011 among the Company, Buyer Parent and Buyer, including the schedules thereto, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof;

(b) "**Arrangement**" means the arrangement under Section 288 of the BCBCA, on the terms and conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 7.3 of the Acquisition Agreement or Article 6 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and Buyer Parent, each acting reasonably;

(c) "**Arrangement Resolution**" means the resolution of the Shareholders to approve the Arrangement;

(d) "**BCBCA**" means the *Business Corporations Act* (British Columbia);

(e) "**business day**" means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Vancouver, British Columbia or are authorized or required by applicable law to be closed;

(f) "**Buyer**" means AltaGas Utility Holdings (Pacific) Inc., a corporation incorporated under the federal laws of Canada;

(g) "**Buyer Parent**" means AltaGas Ltd., a corporation incorporated under the federal laws of Canada;

(h) "**Company**" means Pacific Northern Gas Ltd., a company incorporated under the laws of British Columbia;

(i) "**Company Circular**" means the notice of the Company Shareholder Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto, to be sent to Shareholders in connection with the Company Shareholder Meeting, as amended, supplemented or otherwise modified;

(j) "**Company Shareholder Meeting**" means the special meeting of the Shareholders, including any adjournment, adjournments, postponement or postponements thereof, to be called and held in accordance with the Interim Order to consider, among other things, the Arrangement and Arrangement Resolution and for any other purpose as may be set out in the Company Circular;

(k) "**Court**" means the Supreme Court of British Columbia;

(l) "**Depositary**" means Computershare Trust Company of Canada;

(m) "**Dissent Procedures**" has the meaning ascribed thereto in Section 4.1;

(n) "**Dissent Rights**" has the meaning ascribed thereto in Section 4.1;

(o) "**Dissenting Shareholder**" means a Shareholder who has duly and validly exercised his, her or its Dissent Rights in respect of the Arrangement Resolution in strict compliance with the Dissent Procedures and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

(p) "**Dissenting Shares**" means Shares held by a Dissenting Shareholder who has demanded and perfected Dissent Rights in respect of the Shares in accordance with the Interim Order and who, as of the Effective Time, has not effectively withdrawn or lost such Dissent Rights;

(q) "**Effective Date**" means the date agreed to by the Company and Buyer Parent in writing as the effective date of the Arrangement, after all of the conditions precedent to the completion of the Arrangement as set out in the Acquisition Agreement have been satisfied or waived in accordance with the terms thereof;

(r) "**Effective Time**" means 12:01 a.m. (Vancouver time) on the Effective Date;

(s) "**Final Order**" means the order of the Court approving the Arrangement, in a form acceptable to the Company and Buyer Parent, each acting reasonably, granted pursuant to Section 291 of the BCBCA, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of both the Company and Buyer Parent, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided that any such amendment is acceptable to both the Company and Buyer Parent, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied;

(t) "**Governmental Authority**" means any multinational, federal, provincial, state, regional, municipal, local or other government or governmental body and any

division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing;

(u) "**holder**", when used with reference to any securities of the Company, means the registered holder of such securities shown from time to time in the central securities register maintained by or on behalf of the Company in respect of such securities;

(v) "**Interim Order**" means the interim order of the Court to be issued following the application therefor contemplated by Section 2.2(a) of the Acquisition Agreement, in a form acceptable to the Company and Buyer Parent, providing for, among other things, the calling and holding of the Company Shareholder Meeting, as such order may be amended, modified, supplemented or varied by the Court with the consent of both the Company and Buyer Parent, each acting reasonably;

(w) "**Letter of Transmittal**" means the letter of transmittal to be delivered by the Company to the Shareholders providing for the delivery of the Shares, as applicable, to the Depositary;

(x) "**Liens**" means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, option, right of first offer or first refusal or other charge or encumbrance of any kind and adverse claim;

(y) "**Meeting Date**" means the date of the Company Shareholder Meeting;

(z) "**Plan of Arrangement**" means this plan of arrangement, including any appendices hereto, and any amendments, modifications or supplements hereto made from time to time in accordance with the terms hereof or made at the direction of the Court in the Final Order;

(aa) "**Share**" means a Common Share, $2.50 par value of the Company;

(bb) "**Share Consideration**" means the cash consideration to be received by Shareholders pursuant to this Plan of Arrangement as consideration for each Share outstanding immediately prior to the Effective Time, consisting of $36.75 per Share;

(cc) "**Shareholder**" means a holder of a Share; and

(dd) "**Tax Act**" means the *Income Tax Act* (Canada).

Any capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Acquisition Agreement. In addition, words and phrases used herein and defined in the

BCBCA and not otherwise defined herein or in the Acquisition Agreement shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

1.2 Interpretation Not Affected by Headings, etc. The division of this Plan of Arrangement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an "Article", "Section" or "paragraph" followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein", "hereunder" and similar expressions refer to this Plan of Arrangement including any appendices hereto, and any amendments, variations or supplements hereto made in accordance with the terms hereof or the Acquisition Agreement or made at the direction of the Court in the Final Order, and do not refer to any particular Article, Section or other portion of this Plan of Arrangement.

1.3 Number. In this Plan of Arrangement, unless the context otherwise requires, words used herein importing the singular include the plural and vice versa.

1.4 Date of Any Action. In the event that any date on which any action is required to be taken hereunder by any party is not a business day, such action shall be required to be taken on the next succeeding day which is a business day.

1.5 Time. Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein or in the Letter of Transmittal are local time (Vancouver, British Columbia) unless otherwise stipulated herein or therein.

1.6 Currency. Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

1.7 Statutes. Any reference herein to a statute includes all rules and regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation or rule which amends, supplements or supersedes any such statute or any such regulation or rule.

ARTICLE 2
EFFECT OF THE ARRANGEMENT

2.1 Acquisition Agreement. This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms a part of the Acquisition Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

2.2 Binding Effect. This Plan of Arrangement will become effective at the Effective Time and shall be binding upon the Buyer Parent, the Buyer, the Company, and the Shareholders, including Dissenting Shareholders, the registrar and transfer agent in respect of the Shares and the Depositary.

ARTICLE 3
ARRANGEMENT

3.1 The Arrangement. At the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence, in each case without any further authorization, act or formality of or by the Company, the Buyer Parent, the Buyer or any other person:

(a) each Share outstanding immediately prior to the Effective Time will be and be deemed to be transferred by the holder thereof to Buyer (free and clear of any Liens) in exchange for a cash payment from or on behalf of Buyer equal to:

(i) in the case of a Share other than Dissenting Shares, the Share Consideration;

(ii) in the case of Dissenting Shares held by Dissenting Shareholders to whom Section 4.1(a) applies, the fair value of such Dissenting Shares calculated in accordance with Section 4.1(a); and

(iii) in the case of Dissenting Shares held by Dissenting Shareholders who are ultimately not entitled to be paid the fair value of the Shares in respect of which they have exercised Dissent Rights, the Share Consideration; and

(b) with respect to each Share:

(i) the holder thereof will cease to be the holder thereof or to have any rights as a holder in respect of such Share and the name of the holder thereof will be removed from the applicable securities register of the Company with respect to such Share;

(ii) the holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Share in accordance with Section 3.1(a); and

(iii) legal and beneficial title to such Share will vest in Buyer and Buyer will be and be deemed to be the transferee and legal and beneficial owner of such Share (free and clear of any Liens) and will be entered in the applicable securities register of the Company as the sole holder thereof.

3.2 Adjustments to Consideration. The consideration payable with respect to each Share transferred pursuant to Section 3.1(a)(i) or (iii) will be adjusted to reflect fully the effect of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into Shares other than stock dividends paid in lieu of or to satisfy deferred distributions on the Shares), consolidation, reorganization, recapitalization or other like change with respect to Shares effected in accordance with the terms of the Acquisition Agreement occurring after the date of the Acquisition Agreement and prior to the Effective Time.

ARTICLE 4
DISSENT RIGHTS

4.1 Rights of Dissent.

(a) Each Shareholder may exercise rights of dissent ("**Dissent Rights**") pursuant to and in the manner set forth in Section 238 of the BCBCA as modified by the Interim Order and this Section 4.1 (the "**Dissent Procedures**") in connection with the Arrangement; provided that, notwithstanding Section 242 of the BCBCA, the written objection to the Arrangement Resolution referred to in Section 242 of the BCBCA must be received by the Company not later than 5:00 p.m. (Vancouver time) on the last business day preceding the Meeting Date or any date to which the Company Shareholder Meeting may be postponed or adjourned. Shareholders who duly exercise such Dissent Rights and who:

(i) are ultimately determined to be entitled to be paid fair value for the Shares in respect of which they have exercised Dissent Rights will be deemed to have irrevocably transferred such Shares to Buyer pursuant to Section 3.1(a)(ii) free and clear of any Liens, in consideration of such fair value; or

(ii) are ultimately not entitled, for any reason, to be paid fair value for the Shares in respect of which they have exercised Dissent Rights will be deemed to have participated in the Arrangement on the same basis as a Shareholder who has not exercised Dissent Rights, as at and from the time specified in Section 3.1 for the consideration set forth in Section 3.1(a)(iii);

(b) In no circumstances shall the Company, Buyer Parent, Buyer or any other person be required to recognize a person exercising Dissent Rights unless such person is a registered holder of those Shares in respect of which such rights are sought to be exercised, but in no case will the Company, Buyer or any other person be required to recognize such holders as Shareholders after the completion of the steps set forth in Section 3.1 and each Dissenting Shareholder will cease to be entitled to the rights of a Shareholder in respect of the Shares in relation to which such Dissenting Shareholder has exercised Dissent Rights and the applicable securities register of the Company will be amended to reflect that such former holder is no longer the holder of such Shares as and from the Effective Time. For greater certainty, and in addition to any other restriction under Section 238 of the BCBCA, Shareholders who vote, or who have instructed a proxyholder to vote, in favour of the Arrangement Resolution, shall not be entitled to exercise Dissent Rights.

ARTICLE 5
CERTIFICATES AND PAYMENTS

5.1 Payments of Consideration.

(a) At or before the Effective Time, Buyer will deposit or cause to be deposited with the Depositary in escrow, for the benefit of and in trust for the Shareholders cash in the aggregate amount equal to the payments contemplated by Section 3.1 (calculated without reference to whether any Shareholders have exercised or may exercise Dissent Rights).

All such money shall be cash, denominated in Canadian dollars in same day funds payable at Vancouver, British Columbia. Such money shall not be used for any purpose except as provided in this Plan of Arrangement. The cash deposited with the Depositary shall be held in an interest-bearing account and any interest earned on such funds shall be for the account of the Buyer.

(b) As soon as practicable following the later of the Effective Time and the delivery to the Depositary by or on behalf of a former holder of Shares of a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require including a certificate which immediately prior to the Effective Time represented the outstanding Shares that were transferred under Section 3.1(a), and such other documents and instruments as would have been required to effect such transfer under the BCBCA and the articles and notice of articles of the Company after giving effect to Section 3.1(b), the former holder of such Shares will be entitled to receive the cash payment or payments which such former holder is entitled to receive pursuant to Section 3.1(a) less any amounts withheld pursuant to Section 5.3.

(c) After the Effective Time and until surrendered as contemplated by this Section 5.1, each certificate which immediately prior to the Effective Time represented one or more Shares will be deemed after the time described in Section 3.1 to represent only the right to receive upon such surrender the applicable cash payment in lieu of such certificate pursuant to Section 3.1, less any amounts withheld pursuant to Section 5.3.

(d) Buyer will cause the Depositary, as soon as a former holder of Shares becomes entitled to a net cash payment in accordance with Section 5.1(b) to:

(i) forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address specified in the Letter of Transmittal; or

(ii) if requested by such former holder in the Letter of Transmittal, make available at the offices of the Depositary specified in the Letter of Transmittal for pick-up by such former holder; or

(iii) if the Letter of Transmittal neither specifies an address as described in Section 5.1(d)(i) nor contains a request as described in Section 5.1(d)(ii),

forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address of such former holder as shown on the applicable securities register maintained by or on behalf of the Company immediately prior to the Effective Time;

a cheque representing the net cash payment, if any, payable to such former holder of Shares in accordance with the provisions hereof.

(e) No former holder of Shares shall be entitled to receive any consideration with respect to such Shares other than any cash payment to which such former holder of Shares is entitled to receive pursuant to this Section 5.1 and for greater certainty, no such holder will be entitled to receive any interest, dividends, premiums or other payment in connection therewith.

5.2 Loss of Certificates. In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Shares that were acquired by Buyer pursuant to Section 3.1(a) has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of such Shares, the Depositary will pay in exchange for such lost, stolen or destroyed certificate the net cash payment which the former holder of such Shares is entitled to receive pursuant to Section 3.1(a). When authorizing such payment in relation to any lost, stolen or destroyed certificate, the former holder of such Shares will, as a condition precedent to the delivery thereof, give a bond satisfactory to the Company, Buyer and the Depositary in such sum as the Company and Buyer may direct or otherwise indemnify the Company and Buyer in a manner satisfactory to the Company and Buyer against any claim that may be made against the Company or Buyer, or both, with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles and notice of articles of the Company.

5.3 Extinction of Rights. If any former holder of Shares fails to deliver to the Depositary the documents or instruments required to be delivered to the Depositary under Section 5.1 or Section 5.2 in order for such former holder to receive the cash payment which such former holder is entitled to receive pursuant to Section 3.1 on or before the sixth anniversary of the Effective Date, on the sixth anniversary of the Effective Date (i) such former holder will be deemed to have donated and forfeited to the Buyer or its successor any cash, net of any applicable withholding or other taxes, held by the Depositary in trust for such former holder to which such former holder is entitled and (ii) any certificate representing Shares formerly held by such former holder will cease to represent a claim of any nature whatsoever and will be deemed to have been surrendered to Buyer and will be cancelled. Neither the Company nor Buyer, or any of their respective successors, will be liable to any person in respect of any cash (including any cash previously held by the Depositary in trust for any such former holder) which is forfeited to the Buyer or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

5.4 Withholding Rights. The Company, Buyer and the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to any Shareholder under this Plan of Arrangement (including any payment to Dissenting Shareholders) such amounts as the Company, Buyer or the Depositary is required to deduct and withhold with respect to such

payment under the Tax Act, the United States Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, or any provision of any federal, provincial, state, local or foreign tax law or treaty as counsel may advise is required to be so deducted and withheld by the Company, Buyer or the Depositary, as the case may be. For the purposes hereof, all such withheld amounts shall be treated as having been paid to the Shareholder in respect of which such deduction and withholding was made on account of the obligation to make payment to such Shareholder hereunder, provided that such deducted or withheld amounts are actually remitted to the appropriate Governmental Authority by or on behalf of the Company, Buyer or the Depositary, as the case may be.

5.5 **No Liens.** Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

5.6 **Paramountcy.** From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Shares issued prior to the Effective Time, (b) the rights and obligations of the Shareholders, the Company, Buyer Parent, Buyer, the Depositary and any transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Shares shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

ARTICLE 6
AMENDMENTS

6.1 **Amendments to Plan of Arrangement.**

(f) The Company reserves the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification or supplement must be (i) set out in writing, (ii) approved by the Buyer Parent, (iii) filed with the Court and, if made following the Company Shareholder Meeting, approved by the Court and (iv) communicated to Shareholders if and as required by the Court.

(g) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company at any time prior to the Company Shareholder Meeting (provided that the Buyer Parent has consented thereto) with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Company Shareholder Meeting (other than as may be required under the Interim Order), will become part of this Plan of Arrangement for all purposes.

(h) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Shareholder Meeting will be effective only if such amendment, modification or supplement (i) is consented to by each of the Company and the Buyer Parent (in each case, acting reasonably) and (ii) if required by the Court or applicable law, is consented to by Shareholders voting in the manner directed by the Court.

(i) This Plan of Arrangement may be withdrawn prior to the occurrence of the Effective Time in accordance with the terms of the Acquisition Agreement.

ARTICLE 7
FURTHER ASSURANCES

Notwithstanding that the transactions and events set out herein will occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Company, the Buyer Parent and the Buyer will make, do and execute, or cause to be made, done and executed, any such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

SCHEDULE B

REQUIRED REGULATORY APPROVALS

Competition Act

Either (i) or (ii) shall have occurred:

(i) the relevant waiting period in Section 123 of the *Competition Act* shall have expired and there shall be no threatened or actual application by the Commissioner of Competition appointed under the *Competition Act* or her designee (collectively, the "**Commissioner**") for an order under Section 92 or 100 of the *Competition Act*; and the Buyer Parent shall have received a "no action letter" from the Commissioner pursuant to Section 123 (2) of the *Competition Act* satisfactory to Buyer Parent, acting reasonably, which letter indicates that the Commissioner does not, at that time, intend to make an application for an order under Section 92 of the *Competition Act* in respect of the Arrangement and such "no action letter" remains in force and effect at the time of closing; or

(ii) the Commissioner shall have issued an advance ruling certificate pursuant to Section 102 of the *Competition Act* in respect of the Arrangement.

Utilities Commission Act

The BCUC shall have approved both the purchase and the sale of common shares of the Company pursuant to Section 54 of the *Utilities Commission Act*.

BC Hydro

BC Hydro shall have consented to any assignment or deemed assignment by the Company, any Company Subsidiary or any Non-Controlled Entities where such consent is required under any applicable Electricity Purchase Agreements to which the Company, any Company Subsidiary or any Non-Controlled Entities is subject.

SCHEDULE C

ARRANGEMENT RESOLUTION

RESOLUTION OF THE HOLDERS OF COMMON SHARES OF PACIFIC NORTHERN GAS LTD. (the "Company")

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (as it may be modified or amended, the "**Arrangement**") under Section 288 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving the Company and its common shareholders (the "**Shareholders**"), all as more particularly described and set forth in the plan of arrangement (as it may be modified or amended from time to time in accordance with its terms, the "**Plan of Arrangement**") substantially in the form of Appendix **[●]** to the Management Information Circular of the Company dated **[●]**, 2011 (the "**Information Circular**"), is hereby authorized, approved and adopted.

2. The Plan of Arrangement, as it may be modified or amended from time to time in accordance with its terms, is hereby authorized, approved and adopted.

3. The Acquisition Agreement dated effective as of October 30, 2011 among the Company, AltaGas Ltd. and AltaGas Utility Holdings (Pacific) Inc., as it may be amended from time to time (the "**Acquisition Agreement**"), the actions of the directors of the Company in approving the Arrangement and the Acquisition Agreement and the actions of the directors and officers of the Company in executing and delivering the Acquisition Agreement and causing the performance by the Company of its obligations thereunder are hereby confirmed, ratified, authorized and approved.

4. Notwithstanding that this resolution has been passed (and the Arrangement approved and agreed to) by the Shareholders of the Company or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of the Company are hereby authorized and empowered, without further notice to or approval of the Shareholders of the Company (i) to amend the Acquisition Agreement or the Plan of Arrangement to the extent permitted by the Acquisition Agreement or Plan of Arrangement and (ii) not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Acquisition Agreement).

5. Any one director or officer of the Company is hereby authorized and directed for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, (i) such documents as are necessary or desirable to give effect to the Arrangement in accordance with the Plan of Arrangement and Acquisition Agreement, and (ii) all such other documents and instruments and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such

determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of such act or thing.

SCHEDULE “B”

SUMMARY OF STAKEHOLDER CONSULTATION

(See attached)

Schedule B
AltaGas Application to B.C. Utilities Commission
(October 31, 2011)
List of Stakeholders Receiving Letters from Pacific Northern Gas Ltd.

B.C. Provincial Government - Premier and Ministers		
Christy Clark	Premier	Province of BC
Rich Coleman	Minister	Energy and Mines
Mary Polak	Minister	Aboriginal Relations and Reconciliation
Blair Lekstrom	Minister	Transportation and Infrastructure
B.C. Provincial Government - Members of Legislative Assembly		
Robin Austin	MLA	Skeena
Adrian Dix	MLA	Vancouver-Kingsway
Nicholas Simons	MLA	Powell River-Sunshine Coast
John Rustad	MLA	Nechako Lakes
Doug Donaldson	MLA	Stikine
Pat Pimm	MLA	Peace River North
Members of Parliament		
Bob Zimmer	MP	Prince George-Peace River
Nathan Cullen	MP	Skeena-Bulkley Valley
Richard Harris	MP	Cariboo-Prince George
John Weston	MP	West Vancouver-Sunshine Coast-Sea to Sky Country
Mayors		
Bernice Magee	Mayor	Village of Burns Lake
Mike Bernier	Mayor	City of Dawson Creek
Sandra Harwood	Mayor	District of Fort St. James
Bruce Lantz	Mayor	City of Fort St. John
Dwayne Lindstrom	Mayor	Village of Fraser Lake
Barry Janyk	Mayor	Town of Gibsons
Frederick Clarke	Mayor	Village of Granisle
Bill Holmberg	Mayor	District of Houston
Joanne Monaghan	Mayor	District of Kitimat
Dave MacDonald	Mayor	District of Port Edward
Lyman Clark	Mayor	Village of Pouce Coupe
Dan Rogers	Mayor	City of Prince George
Jack Mussallem	Mayor	City of Prince Rupert
Cress Farrow	Mayor	Town of Smithers
Fred Jarvis	Mayor	District of Taylor
Carman Graf	Mayor	Village of Telkwa
David Pernarowski	Mayor	City of Terrace
Larry White	Mayor	District of Tumbler Ridge
Gerry Thiessen	Mayor	District of Vanderhoof

Schedule B
AltaGas Application to B.C. Utilities Commission
(October 31, 2011)
List of Stakeholders Receiving Letters from Pacific Northern Gas Ltd.

Regional Districts		
Karen Goodings	Chair	Peace River
Lance Hamblin	Chair	Bulkley-Nechako
Art Kaehn	Chair	Fraser-Fort George
Harry Nyce	Chair	Kitimat-Stikine
First Nations		
Judy Gerow	Chief Councilor	Kitselas Nation
David Luggi	Tribal Chief	Carrier Sekani Tribal Council
Ellis Ross	Chief	Haisla Nation
Dominic Frederick	Chief	Lheidli T'enneh First Nation
Derek Orr	Chief	McLeod Lake Indian Band
Harold Leighton	Chief	Metalkatla First Nation
Garry Reece	Chief Councillor	Lax Kw'alaams Band
Rob Skin	Chief	Skin Tyee Nation
Ray Morris	Chief	Nee Tahi Buhn Band
Customers and Other		
Leigha Worth	Acting Executive Director	B.C. Public Interest Advocacy Centre
Patrick Bolduc	Principal Natural Gas / Fuel Oil	Rio Tinto Alcan
Carolyn MacEachern	Outside Legal Counsel	Peace River Regional District

SCHEDULE “C”

DRAFT ORDER

(See Attached)

DRAFT

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-● -11

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by AltaGas Utility Holdings (Pacific) Inc.
for Approval of the Acquisition of the Issued and Outstanding Shares of Pacific Northern Gas Ltd.

BEFORE: ●, Commissioner
●, Commissioner

November __, 2011

O R D E R

WHEREAS:

A. On October 31, 2011 AltaGas Utility Holdings (Pacific) Inc. ("AltaGas") applied pursuant to Section 54 of the *Utilities Commission Act* (the Act) for an Order approving the acquisition of all of the issued and outstanding common shares of Pacific Northern Gas Ltd. (PNG) which would also cause AltaGas to have indirect control of PNG's wholly owned subsidiary Pacific Northern Gas (N.E.) Ltd. ["PNG(N.E.)"] (the "Application");

B. PNG and PNG(N.E.) are public utilities regulated by the British Columbia Utilities Commission (the "Commission") under the Act;

C. AltaGas is a direct wholly owned subsidiary of AltaGas Ltd.;

D. Section 54(9) of the Act states:

> *"The commission may give its approval under this section subject to conditions and requirements it considers necessary or desirable in the public interest, but the commission must not give its approval under this section unless it considers that the public utility and the users of the service of the public utility will not be detrimentally affected"*

…/2

E. AltaGas and PNG have jointly undertaken communication and consultation with key stakeholders of PNG and PNG(N.E.) and have submitted a summary of comments as part of the materials filed in support of the Application;

F. Letters in support of the Application have been submitted to the Commission by the major interveners into PNG's and PNG(N.E.)'s revenue requirements applications;

G. No concerns were raised respecting the acquisition by AltaGas of PNG;

H. The Commission has reviewed the Application and submissions received and considers that PNG and PNG(N.E.) and the users of the services of the PNG and PNG(N.E.) will not be detrimentally affected and that approval is warranted.

NOW THEREFORE the Commission orders as follows:

1. The Application by AltaGas to acquire all of the issued and outstanding common shares of PNG is hereby approved pursuant to section 54 of the Act.

DATED at the City of Vancouver, in the Province of British Columbia, this ● day of November 2011.

BY ORDER

●
Commissioner