

2004 BCSECCOM 316

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – open-end investment trust – trades of trust units to existing unit holders under a distribution reinvestment plan exempt from prospectus and registration requirements – trades of trust units under a distribution reinvestment plan to holders of trust units and to holders of exchangeable securities which are exchangeable into trust units are exempt from prospectus and registration requirements – relief subject to conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 45(2)(11), 48, 74(2)(10) and 76
Multilateral Instrument 45-102

**IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA,
BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO,
QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND
AND LABRADOR, PRINCE EDWARD ISLAND, YUKON TERRITORY,
NORTHWEST TERRITORIES AND NUNAVUT**

AND

**IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

IN THE MATTER OF ALTAGAS INCOME TRUST

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon Territory, Northwest Territories and Nunavut (the “Jurisdictions”) has received an application from AltaGas Income Trust (the “Trust”) for a decision, under the securities legislation of the Jurisdictions (the “Legislation”), that the requirements contained in the Legislation to be registered to trade in a security and to file a preliminary prospectus and a prospectus and obtain receipts therefor (the “Registration and Prospectus Requirements”) shall not apply to certain trades in trust units (“Units”) by the Trust pursuant to a Premium DistributionTM, Distribution Reinvestment and Optional Trust Unit Purchase Plan of AltaGas Income Trust for Holders of Trust Units

2004 BCSECCOM 316

(the “Unitholder Plan”) and a Premium DistributionTM, Distribution Reinvestment and Optional Trust Unit Purchase Plan of AltaGas Income Trust for Holders of Class B Limited Partnership Units of AltaGas Holding Limited Partnership No. 1 and the Holder of Class B Limited Partnership Units of AltaGas Holding Limited Partnership No. 2 (the “LP Unitholder Plan”) (the Unitholder Plan and the LP Unitholder Plan collectively are referred to as the “Plans”) to be implemented by the Trust, and that in Québec, in order to satisfy the proposed “seasoning period” requirement contained in the resale restrictions in respect of a first trade of Units issued pursuant to the Plans, the reporting issuer history of AltaGas Services Inc. (“AltaGas”), being the predecessor of the Trust, be included in calculating the “seasoning period” or the period of time that the Trust has been a reporting issuer in Québec.

2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Alberta Securities Commission is the principal regulator for this application;
3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101;
4. AND WHEREAS the Trust has represented to the Decision Makers that:
 - 4.1 AltaGas was incorporated pursuant to the *Canada Business Corporations Act* (the “CBCA”) on August 30, 1993. The head and principal office of AltaGas was located at Calgary, Alberta.
 - 4.2 The business of AltaGas consisted of: (i) the physical gathering, processing, extracting and transporting of natural gas; (ii) the contractual marketing of natural gas and electrical power; (iii) the conversion of energy across and along the energy value chain to create higher value-added products; and (iv) the consumption of natural gas and electrical power to operate its facilities.
 - 4.3 AltaGas was authorized to issue an unlimited number of common shares (“Common Shares”) and an unlimited number of preferred shares issuable in series.
 - 4.4 On March 26, 2004, there were 36,927,793 Common Shares of AltaGas outstanding and 9,000,000 participating shares (the “Participating Shares”), being the only series of preferred shares issued, of AltaGas outstanding. The Participating Shares were

2004 BCSECCOM 316

convertible into Common Shares at the holder's option and were redeemable at AltaGas' option after September 30, 2004. In addition, 1,384,488 Common Shares were issuable pursuant to outstanding options ("Options") to purchase Common Shares pursuant to AltaGas' stock option plan. The holders of Common Shares, Participating Shares and Options collectively are referred to as the "Securityholders".

- 4.5 AltaGas was a reporting issuer or the equivalent thereof in each of the provinces of Canada and had been so since September 28, 2000. To the best of its knowledge, AltaGas was not in default of any requirements of the applicable Legislation.
- 4.6 The Common Shares were listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol "ALA". As at March 26, 2004, Enbridge Inc. ("Enbridge") held 9,197,500 Common Shares and 9,000,000 Participating Shares, representing 24.91% of the issued and outstanding Common Shares and all of the issued and outstanding Participating Shares, and representing approximately 38.46% of the outstanding Common Shares on a diluted basis (assuming all Options were exercised and the Participating Shares were converted on a one-for-one basis into Common Shares).
- 4.7 Pursuant to a court-approved plan of arrangement (the "Arrangement") under Section 192 of the CBCA involving AltaGas, the Trust, AltaGas Holding Limited Partnership No. 1 ("AltaGas LP#1"), AltaGas Holding Limited Partnership No. 2 ("AltaGas LP#2") and certain other parties, effective May 1, 2004 (the "Effective Date"), AltaGas amalgamated into AltaGas Ltd. ("AmalgamationCo") and was converted into an income trust. The Arrangement, together with certain pre and post Arrangement transactions, resulted in the reorganization of AltaGas and the creation of certain wholly-owned subsidiary entities of the Trust, including AmalgamationCo.
- 4.8 Pursuant to the Arrangement, holders of Common Shares and Participating Shares were entitled to receive Units for their shares on a one-for-one basis, and holders of Options were entitled to receive options to acquire Units. Taxable Securityholders resident in Canada were alternatively entitled to elect to receive a combination of Units and, in the case of Securityholders other than Enbridge, Class B limited partnership units ("LP#1 B Units") of

2004 BCSECCOM 316

AltaGas LP#1, and in the case of Enbridge, Class B limited partnership units of AltaGas LP#2 ("LP#2 B Units") (the LP#1 B Units and the LP#2 B Units collectively are referred to as the "Exchangeable Securities") exchangeable into Units on a one-for-one basis, for their Common Shares. There was a limit on the maximum number of Exchangeable Securities that could be issued under the Arrangement and if the elections for Exchangeable Securities exceeded this maximum, the Exchangeable Securities would be prorated among the elections and such Securityholders would receive Units in lieu of Exchangeable Securities to the extent that Exchangeable Securities were requested but not provided due to such prorating. Elections by eligible Securityholders for Exchangeable Securities were for less than the maximum number that were available under the Arrangement and accordingly, no prorating of Exchangeable Securities was required. The Exchangeable Securities are intended to be, to the greatest extent practicable, the economic and voting equivalent of the Units, being entitled to the same monthly cash distributions as Units and being entitled to vote on Trust matters with holders of Units through the special voting unit described in paragraph 4.17, below.

- 4.9 In connection with the Arrangement, AltaGas prepared a joint information circular dated March 26, 2004 (the "Information Circular") with respect to a special meeting (the "Meeting") of the Securityholders of AltaGas held on April 29, 2004 to consider and vote on, *inter alia*, the Arrangement. The Information Circular contained prospectus level disclosure concerning the business and affairs of AltaGas, the Trust, AltaGas LP#1, AltaGas LP#2, AmalgamationCo and certain other entities and a detailed description of the Arrangement. The Information Circular was prepared in accordance with the provisions of the CBCA and applicable securities laws and policies.
- 4.10 The Arrangement was subject to a number of conditions including approval by not less than 66 2/3% of the votes by the Securityholders and approval of the Court of Queen's Bench of Alberta. Collectively, holders of an aggregate of 12,250,691 Common Shares, 9,000,000 Participating Shares and 913,488 Options (including Enbridge and all of the directors and officers of AltaGas), representing 48.26% of the outstanding Common Shares on a diluted basis, agreed to vote all of the securities beneficially held by them in favour of the Arrangement. Enbridge confirmed its support of the Arrangement by entering into an agreement with

2004 BCSECCOM 316

AltaGas dated March 10, 2004 pursuant to which Enbridge agreed to vote the Common Shares and Participating Shares beneficially owned by it, directly or indirectly, or over which it exercised control or direction, in favour of the Arrangement. The Meeting was held as scheduled and 99.9% of the votes cast in respect of the resolution approving the Arrangement were in favour of the resolution approving the Arrangement. AltaGas received a final order from the Court of Queen's Bench of Alberta approving the Arrangement on April 30, 2004.

- 4.11 The Trust is an unincorporated open-ended investment trust established under the laws of Alberta. The Trust was created pursuant to a declaration of trust (the "Declaration of Trust") dated as of March 26, 2004 between an initial holder of Units ("Unitholder") and Computershare Trust Company of Canada, as amended, supplemented or restated. The Trust was established for the purpose of investing in the securities of a holding trust, AltaGas General Partner Inc. (the "General Partner"), AmalgamationCo or any associate or affiliate thereof in the business of, or the ownership, lease or operation of assets or property in connection with the gathering, processing, transporting, extracting, buying, storing or selling petroleum, natural gas, natural gas liquids or other related products, electricity or other forms of energy and related businesses.
- 4.12 The Unitholders are the sole beneficiaries of the Trust. Computershare Trust Company of Canada is the initial trustee of the Trust (in such capacity, the "Trustee").
- 4.13 The head and principal office of the Trust is located at Calgary, Alberta.
- 4.14 The Trust is actively engaged through AmalgamationCo, as successor by amalgamation to AltaGas, and certain other entities in the business of, or the ownership, lease or operation of assets or property in connection with, the gathering, processing, transporting, extracting, buying, storing or selling petroleum, natural gas, natural gas liquids or other related products, power or other forms of energy and related businesses and such other investments as the Trustee may determine. On the Effective Date, AmalgamationCo contracted with, among other entities, the Trust pursuant to an administration agreement (the "Administration Agreement") whereby AmalgamationCo will provide certain

2004 BCSECCOM 316

administration and support services to, among other entities, the Trust and be responsible for the management and general administration of the affairs of the Trust. On the Effective Date, the General Partner contracted with the Trust and the Trustee pursuant to a delegation agreement whereby the Trustee will delegate certain of its powers and duties to the General Partner including, *inter alia*, undertaking responsibility to make all determinations, and take, or cause to be taken, all such actions as relate to the determination of distributions to Unitholders including the determination of record dates for, and payment dates of, such distributions.

- 4.15 The Trust intends to make monthly cash distributions (“Cash Distributions”) to its Unitholders in an amount per Unit equal to: (i) all the cash amounts which are received by the Trust for, or in respect of, the month; plus (ii) the proceeds of any issuance of Units or any other securities of the Trust, net of the expenses of distribution, and if applicable, the use of proceeds of any such issuance for the intended purpose; less the sum of (iii) all amounts which relate to the redemption of Units and which have become payable in cash by the Trust in the month and any expenses of the Trust in the month; and (iv) any other amounts (including taxes) required by law or the Declaration of Trust to be deducted, withheld or paid by or in respect of the Trust in the month. The initial Cash Distribution is expected to be made on or before June 15, 2004 to Unitholders of record on May 25, 2004.
- 4.16 The Trust is a reporting issuer in each of the provinces of Canada.
- 4.17 The authorized capital of the Trust consists of an unlimited number of Units and special voting units (the “Special Voting Units”). A Special Voting Unit has been issued to Computershare Trust Company of Canada as voting and exchange trustee (the “Voting and Exchange Trustee”). The holder of a Special Voting Unit is not entitled to any interest or share in the distributions or net assets of the Trust and is only entitled to the number of votes at meetings of Unitholders that is equal to the number of Units into which the Exchangeable Securities to which such Special Voting Unit relates are exchangeable or convertible.
- 4.18 The Units are listed and posted for trading on the TSX under the symbol “ALA.UN”.

2004 BCSECCOM 316

- 4.19 The Trust is not a “mutual fund” under the Legislation as Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Trust, as contemplated by the definition of “mutual fund” contained in the Legislation.
- 4.20 Each of AltaGas LP#1 and AltaGas LP#2 is a limited partnership formed under the laws of Alberta. AltaGas LP#1 was formed pursuant to a limited partnership agreement (the “AltaGas LP#1 Partnership Agreement”) dated as of March 26, 2004, as amended, supplanted or restated. AltaGas LP#2 was formed pursuant to a limited partnership agreement (the “AltaGas LP#2 Partnership Agreement”) dated as of March 26, 2004, as amended, supplanted or restated. The business and affairs of each of AltaGas LP#1 and AltaGas LP#2 are managed by the General Partner pursuant to the AltaGas LP #1 Partnership Agreement and the AltaGas LP #2 Partnership Agreement, respectively. The General Partner is a direct wholly-owned subsidiary of the Trust. On the Effective Date, AmalgamationCo contracted with, among other entities, the General Partner pursuant to the Administration Agreement whereby AmalgamationCo will provide certain administration and support services to, among other entities, the General Partner.
- 4.21 The head and principal office of the General Partner is located at Calgary, Alberta.
- 4.22 The AltaGas LP #1 Partnership Agreement and the AltaGas LP #2 Partnership Agreement provide that the partners of AltaGas LP #1 and AltaGas LP #2, respectively, must at all times not be: (i) a person (within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”) but, for greater certainty, not including a partnership) who is not a resident of Canada for the purposes of the Tax Act; or (ii) a partnership that is not a Canadian partnership as defined in the Tax Act.
- 4.23 AltaGas LP#1 is authorized to issue an unlimited number of Class A limited partnership units (the “LP#1 A Units”) and an unlimited number of LP#1 B Units. AltaGas LP#2 is authorized to issue an unlimited number of Class A limited partnership units (the “LP#2 A Units”) and an unlimited number of LP#2 B Units. The General Partner may, in respect of each of AltaGas LP#1 and AltaGas LP#2, issue at any time units of any class or series or secured and unsecured debt obligations convertible into any class or series of

2004 BCSECCOM 316

units, or options, warrants, rights, appreciation rights or subscription rights relating to any class or series of units, to the General Partner, to limited partners or to any other person that is a resident in Canada for the purposes of the Tax Act and not exempt from tax under Part I of the Tax Act.

- 4.24 AltaGas LP#1 has outstanding LP#1 A Units, all of which are issued to and held by a holding trust (wholly-owned by the Trust) created for the purposes of the Arrangement and which are only permitted to be issued to, and held by such holding trust or an affiliate thereof. AltaGas LP#2 has outstanding LP#2 A Units, all of which are issued to and held by AltaGas LP #1 and which are only permitted to be issued to, and held by AltaGas LP #1 or an affiliate thereof.
- 4.25 On the Effective Date, AltaGas LP#1 issued LP#1 B Units to eligible Securityholders (other than Enbridge) who had elected to receive and were entitled to receive LP#1 B Units instead of Units in consideration for their Common Shares. On the Effective Date, AltaGas LP#2 issued LP#2 B Units to Enbridge in such number as Enbridge had elected to receive and was entitled to receive for its Common Shares (including those obtained on the conversion of Participating Shares).
- 4.26 The Exchangeable Securities are exchangeable for Units on a one-for-one basis at any time at the option of the holder in accordance with, *inter alia*, the AltaGas LP #1 Partnership Agreement or the AltaGas LP #2 Partnership Agreement, as the case may be. The LP#1 B Units may be redeemed by AltaGas LP#1 for Units at any time following the tenth anniversary of the Effective Date and the LP #2 B Units may be redeemed by AltaGas LP#2 for Units at any time following the fifth anniversary of the Effective Date, in either case at the discretion of the board of directors of the General Partner. In certain circumstances, AltaGas LP #1 or AltaGas LP #2, as the case may be, has the right to require redemption of the Exchangeable Securities and the right to require the exchange of Exchangeable Securities for Units prior to the applicable anniversary.
- 4.27 The Exchangeable Securities may only be transferred in accordance with the AltaGas LP#1 Partnership Agreement or the AltaGas LP#2 Partnership Agreement, as the case may be, and applicable securities laws. The AltaGas LP#1 Partnership

2004 BCSECCOM 316

Agreement and the AltaGas LP#2 Partnership Agreement each provide, among other things, that the Exchangeable Securities may not be transferred by a holder thereof:

- 4.27.1 unless the General Partner has been provided with evidence acceptable to it in its sole discretion that the prospective transferee, and all persons acting jointly or in concert with such transferee, are eligible to hold such Exchangeable Securities; and
 - 4.27.2 except pursuant to an offer in accordance with applicable securities legislation to purchase Exchangeable Securities which offer is made by the transferee on identical terms to all Unitholders and all holders of Exchangeable Securities.
- 4.28 In addition, the Exchangeable Securities are not transferable except pursuant to applicable exemptions from the Registration and Prospectus Requirements.
- 4.29 The holders (the “LP#1 Unitholders”) of the LP#1 B Units and the holder (the “LP#2 Unitholder”) (the LP#1 Unitholders and the LP#2 Unitholder collectively are referred to as the “LP Unitholders”) of the LP#2 B Units are entitled to receive, and AltaGas LP #1 or AltaGas LP #2, as applicable, will, subject to applicable law, on each date on which the Trustee makes a distribution on the Units, make a loan (the “Non-Interest Bearing Loans”) in respect of each Exchangeable Security:
 - 4.29.1 in the case of a Cash Distribution declared on the Units, in an amount in cash for each Exchangeable Security equal to the Cash Distribution declared on each Unit; and
 - 4.29.2 in the case of a distribution declared on the Units in securities or property other than cash or Units, by a distribution in such type and amount of securities or property as is the same as, or economically equivalent to, the type and amount of property declared as a distribution on each Unit.
- 4.30 The Non-Interest Bearing Loans will be payable by the holders of Exchangeable Securities without interest to AltaGas LP #1 or AltaGas LP #2, as applicable, on the earlier of a series of specified dates. On the date on which a Non-Interest Bearing Loan becomes

2004 BCSECCOM 316

payable, AltaGas LP #1 or AltaGas LP #2, as applicable, will make a distribution in respect of each Exchangeable Security equal to the amount of the Non-Interest Bearing Loans outstanding in respect thereof. AltaGas LP #1 or AltaGas LP #2, as applicable, will set off and apply the amount of any such distribution against the obligations of any holder of Exchangeable Securities under any Non-Interest Bearing Loans outstanding in respect thereof and each holder of Exchangeable Securities will have the right to set off and apply such amount owed by such holder of Exchangeable Securities under any Non-Interest Bearing Loans outstanding in respect thereof against the amount of the distribution.

- 4.31 The LP Unitholders are entitled to receive notice of and attend any meetings of the Unitholders of the Trust and to vote at any such meeting. The Special Voting Unit issued to the Voting and Exchange Trustee by the Trust entitles the holders of Exchangeable Securities to one vote at meetings of Unitholders for each Exchangeable Security held, but will have none of the other rights attached to the Units. The Voting and Exchange Trustee will send to the holders of Exchangeable Securities the notice of each meeting at which the Unitholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the Voting and Exchange Trustee to exercise the votes attaching to the Special Voting Unit, at the same time as the Trust sends such notice and materials to the Unitholders. The holders of Exchangeable Securities will not be entitled to receive notice of or attend any meetings of the partners of AltaGas LP #1 or AltaGas LP #2, as the case may be, or to vote at any such meeting.
- 4.32 The Voting and Exchange Trustee also sends to the LP Unitholders copies of all information statements, interim and annual financial statements, reports and other materials sent by the Trust to Unitholders. To the extent such materials are provided to the Voting and Exchange Trustee, the Voting and Exchange Trustee also sends to the LP Unitholders all materials sent by third parties to the Unitholders, including dissident proxy circulars and tender and exchange offer circulars, as soon as possible after such materials are first sent to Unitholders.
- 4.33 The Exchangeable Securities are not listed or posted for trading on any stock exchange.

2004 BCSECCOM 316

- 4.34 On the Effective Date, AltaGas amalgamated with certain other entities including certain existing subsidiaries of AltaGas pursuant to the CBCA to form AmalgamationCo.
- 4.35 The head and principal office as well as the registered office of AmalgamationCo is located at Calgary, Alberta.
- 4.36 AmalgamationCo owns, directly or indirectly, all of the assets of AltaGas owned by AltaGas prior to the Arrangement and retains, directly and indirectly, all of the liabilities of AltaGas, including liabilities relating to corporate and income tax matters.
- 4.37 AmalgamationCo (along with certain subsidiary entities) carries on the business of AltaGas being: (i) the physical gathering, processing, extracting and transporting of natural gas; (ii) the contractual marketing of natural gas and electrical power; (iii) the conversion of energy across and along the energy value chain to create higher value-added products; and (iv) the consumption of natural gas and electrical power to operate its facilities.
- 4.38 AmalgamationCo is a wholly-owned subsidiary of the Trust.
- 4.39 AmalgamationCo continues to be a reporting issuer in certain Canadian jurisdictions. AmalgamationCo has applied for exemptive relief from reporting requirements contained in the applicable Legislation.
- 4.40 The Trust intends to establish:
 - 4.40.1 the Unitholder Plan pursuant to which eligible Unitholders may direct that Cash Distributions payable by the Trust in respect of their existing Units be applied to the purchase of Units (“Unitholder DRIP Units”) and, at their option, either: (A) direct that the Unitholder DRIP Units be held for their account (the “Unitholder Reinvestment Option”); or (B) authorize and direct the trust company that is appointed as plan agent under the Unitholder Plan to pre-sell, through a designated broker, for the account of such Unitholders so electing, that number of Units approximately equal to the number of Unitholder DRIP Units issuable on such reinvestment of Cash Distributions and to settle such pre-sales by transferring the Unitholder DRIP Units issued on the applicable distribution payment date in exchange for a

2004 BCSECCOM 316

cash payment to the Plan Agent for the account of such Unitholders equal to 102% of the reinvested Cash Distributions (the “Unitholder Premium DistributionTM Option”); and

- 4.40.2 the LP Unitholder Plan pursuant to which eligible LP Unitholders may direct that Non-Interest Bearing Loans payable by the AltaGas LPs in respect of their existing Exchangeable Securities be applied to the purchase of Units (“LP Unitholder DRIP Units”) (the Unitholder DRIP Units and the LP Unitholder DRIP Units collectively are referred to as the “DRIP Units”) and, at their option, either: (A) direct that the LP Unitholder DRIP Units be held for their account (the “LP Unitholder Reinvestment Option”) (the Unitholder Reinvestment Option and the LP Unitholder Reinvestment Option collectively are referred to as the “Reinvestment Option”); or (B) authorize and direct the trust company that is appointed as plan agent under the LP Unitholder Plan to pre-sell, through a designated broker, for the account of such LP Unitholders so electing, that number of Units approximately equal to the number of LP Unitholder DRIP Units issuable on such investment of Non-Interest Bearing Loans and to settle such pre-sales by transferring the LP Unitholder DRIP Units issued on the applicable distribution payment date in exchange for a cash payment to the Plan Agent for the account of such LP Unitholders equal to 102% of the invested Non-Interest Bearing Loans (the “LP Unitholder Premium DistributionTM Option”) (the Unitholder Premium DistributionTM Option and the LP Unitholder Premium DistributionTM Option collectively are referred to as the “Premium DistributionTM Option”).
- 4.41 The Trust will appoint the same trust company as plan agent (the “Plan Agent”) under both the Unitholder Plan and the LP Unitholder Plan. The Trust and the Plan Agent will designate the same broker (the “Plan Broker”) under both the Unitholder Plan and the LP Unitholder Plan.
- 4.42 The Plan Broker will be entitled to retain for its own account the difference between the proceeds realized in connection with the pre-sales of Units and the cash payment to the Plan Agent in an amount equal to 102% of the reinvested Cash Distributions and the

2004 BCSECCOM 316

invested Non-Interest Bearing Loans (such Cash Distributions and Non-Interest Bearing Loans collectively are referred to as the “Reinvested Amount”).

- 4.43 Eligible Unitholders (“Unitholder Participants”) that have elected to have their Cash Distributions reinvested in Unitholder DRIP Units under either the Unitholder Reinvestment Option or Unitholder Premium DistributionTM Option may also purchase additional Units under the Unitholder Plan by making optional cash payments (“Optional Cash Payments”) within certain established limits (the “Unitholder Cash Payment Option”). Eligible LP Unitholders (“LP Unitholder Participants”) (the Unitholder Participants and the LP Unitholder Participants collectively are referred to as the “Participants”) that have elected to have their Non-Interest Bearing Loans invested in LP Unitholder DRIP Units under either the LP Unitholder Reinvestment Option or LP Unitholder Premium DistributionTM Option may also purchase additional Units under the LP Unitholder Plan by making Optional Cash Payments within certain established limits (the “LP Unitholder Cash Payment Option”) (the Unitholder Cash Payment Option and the LP Unitholder Cash Payment Option collectively are referred to as the “Cash Payment Option”). The Trust shall have the right to determine from time to time whether the Cash Payment Option will be available.
- 4.44 All DRIP Units purchased under the Plans will be purchased by the Plan Agent directly from the Trust on the relevant distribution payment date at a price determined by reference to the Average Market Price (defined in the Plans as the arithmetic average of the daily volume weighted average trading prices of the Units on the TSX for a defined period not exceeding 20 trading days preceding the applicable distribution payment date).
- 4.45 DRIP Units purchased under the Reinvestment Option or the Premium DistributionTM Option will be purchased at a 5% discount to the Average Market Price. DRIP Units purchased under the Cash Payment Option will be purchased at the Average Market Price.
- 4.46 The Plan Broker’s *prima facie* return under the Premium DistributionTM Option will be approximately 3% of the Reinvested Amount (based on pre-sales of DRIP Units having a market value of approximately 105% of the Reinvested Amount and a fixed cash

2004 BCSECCOM 316

payment to the Plan Agent, for the account of applicable Participants, of an amount equal to 102% of the Reinvested Amount). The Plan Broker may, however, realize more or less than this *prima facie* amount, as the actual return will vary according to the prices the Plan Broker is able to realize on the pre-sales of Units. The Plan Broker bears the entire price risk of pre-sales in the market, as Participants who have elected the Premium Distribution™ Option are entitled to a cash payment equal to 102% of the Reinvested Amount.

- 4.47 All activities of the Plan Broker on behalf of the Plan Agent that relate to pre-sales of DRIP Units for the account of Participants who elect the Premium Distribution™ Option will be in compliance with applicable Legislation and the rules and policies of the TSX (subject to any exemptive relief granted). The Plan Broker will also be a member of the Investment Dealers Association of Canada, and will be registered under the Legislation of any Jurisdiction where the first trade in DRIP Units issued pursuant to the Premium Distribution™ Option makes such registration necessary.
- 4.48 The Unitholder Plan will only be available to Unitholders who are residents of Canada and who are otherwise permitted under the Declaration of Trust to hold Units. The LP Unitholder Plan will only be available to LP Unitholders who are residents of Canada and who are otherwise permitted under the AltaGas LP#1 Partnership Agreement or the AltaGas LP#2 Partnership Agreement, as the case may be, to hold Exchangeable Securities.
- 4.49 Participants will be free to terminate their participation under either the Reinvestment Option or the Premium Distribution™ Option and to change their election as between the Reinvestment Option and the Premium Distribution™ Option, in each such case, by providing written notice thereof to the Plan Agent. A notice of termination or change of election received on or after a distribution record date will become effective after the distribution payment date to which such record date relates.
- 4.50 Under the Unitholder Cash Payment Option, a Unitholder Participant may, through the Plan Agent, purchase Unitholder DRIP Units subject to a maximum amount per month of \$100,000 and a minimum amount per remittance of \$1,000. Under the LP Unitholder Cash Payment Option, a LP Unitholder Participant may,

2004 BCSECCOM 316

through the Plan Agent, purchase LP Unitholder DRIP Units subject to a maximum amount per month of \$100,000 and a minimum amount per remittance of \$1,000.

- 4.51 The aggregate number of DRIP Units that may be purchased under the Cash Payment Option by all Participants in any financial year of the Trust will be limited to a maximum of 2% of the number of Units issued and outstanding at the start of the financial year.
- 4.52 No brokerage fees or service charges will be payable by Participants in connection with the purchase of DRIP Units under the Plans.
- 4.53 All Cash Distributions on Units enrolled in the Unitholder Plan will be automatically reinvested in Unitholder DRIP Units under the Unitholder Reinvestment Option or exchanged for a cash payment under the Unitholder Premium DistributionTM Option, as applicable, in accordance with the terms of the Unitholder Plan and the current election of the applicable Unitholder Participant. All Non-Interest Bearing Loans on Exchangeable Securities enrolled in the LP Unitholder Plan will be automatically invested in LP Unitholder DRIP Units under the LP Unitholder Reinvestment Option or exchanged for a cash payment under the LP Unitholder Premium DistributionTM Option, as applicable, in accordance with the terms of the LP Unitholder Plan and the current election of the applicable LP Unitholder Participant.
- 4.54 The Plans permit full investment of Cash Distributions or Non-Interest Bearing Loans, as the case may be, and Optional Cash Payments because fractions of Units, as well as whole Units, may be credited to Participants' accounts (although, in the case of beneficial Unitholders or beneficial LP Unitholders, as the case may be, the crediting of fractional Units may depend on the policies of a Participant's broker, investment dealer, financial institution or other nominee through which the Participant holds Units or Exchangeable Securities).
- 4.55 The Trust reserves the right to determine for any distribution payment date how many DRIP Units will be available for purchase under the Plans.
- 4.56 If, in respect of any distribution payment date, fulfilling all of the elections under the Plans would result in the Trust exceeding either

2004 BCSECCOM 316

the limit on DRIP Units set by the Trust or the aggregate annual limit on DRIP Units issuable pursuant to the Cash Payment Option, then elections for the purchase of DRIP Units on the next distribution payment date will be accepted: (i) first, from Participants electing the Reinvestment Option; (ii) second, from Participants electing the Premium DistributionTM Option; and (iii) third, from Participants electing the Cash Payment Option. If the Trust is not able to accept all elections in a particular category, then purchases of DRIP Units on the next distribution payment date will be pro-rated among all Participants in that category according to the number of DRIP Units sought to be purchased.

- 4.57 If the Trust determines that no DRIP Units will be available for purchase under the Plans for a particular distribution payment date, or to the extent that the availability of DRIP Units is prorated among Participants in accordance with the terms of the Plans, then Participants will receive the usual Reinvested Amount for that distribution payment date.
- 4.58 The Trust reserves the right to amend, suspend or terminate the Plans at any time, provided that such action shall not have a retroactive effect which would prejudice the interests of Participants. The Trust will notify Unitholders and LP Unitholders of amendments to the Plans, suspension of the Plans or termination of the Plans in accordance with the Plans and applicable securities laws.
- 4.59 In the Jurisdictions except Alberta, the distribution of DRIP Units by the Trust under the Unitholder Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the Unitholder Plan involves the reinvestment of Cash Distributions and not the reinvestment of dividends or interest of the Trust.
- 4.60 In the Jurisdictions, the distribution of DRIP Units by the Trust under the LP Unitholder Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the LP Unitholder Plan involves the investment of Non-Interest Bearing Loans and not the reinvestment of dividends or interest of the Trust.
- 4.61 In the Jurisdictions, the distribution of DRIP Units by the Trust under the Plans cannot be made in reliance on registration and

2004 BCSECCOM 316

prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Trust is not a “mutual fund” as defined in the Legislation.

- 4.62 In the Jurisdictions, there are no registration and prospectus exemptions contained in the Legislation for the distribution of LP Unitholder DRIP Units by the Trust under the LP Unitholder Plan to LP Unitholders.
- 4.63 The Legislation in Québec does not allow the Trust to include the reporting issuer history of AltaGas, being the predecessor of the Trust, in calculating the proposed “seasoning period” requirement, being the period of time that the Trust has been a reporting issuer in Québec, contained in the resale restrictions in respect of the first trade of DRIP Units issued pursuant to the Plans.
- 5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”);
- 6. AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
- 7. THE DECISION of the Decision Makers pursuant to the Legislation is that:
 - 7.1 the Registration and Prospectus Requirements shall not apply to the distribution by the Trust of DRIP Units pursuant to the Unitholder Plan and the LP Unitholder Plan provided that:
 - 7.1.1 at the time of such distribution, the Trust is a reporting issuer or the equivalent in a jurisdiction listed in Appendix B of Multilateral Instrument 45-102 *Resale of Securities* (“MI 45-102”) and is not in default of any requirements of the Legislation;
 - 7.1.2 no sales charge is payable by Participants in respect of the trade;
 - 7.1.3 the Trust has caused to be sent to the person or company to whom the DRIP Units are traded, not more than 12 months before the trade, a statement describing:

2004 BCSECCOM 316

- 7.1.3.1 their right to withdraw from the Unitholder Plan or LP Unitholder Plan, as the case may be, and to make an election to receive the Reinvested Amount instead of DRIP Units on the applicable distribution payment date (the “Withdrawal Right”); and
- 7.1.3.2 instructions on how to exercise the Withdrawal Right;
- 7.1.4 the aggregate number of DRIP Units issued under the Cash Payment Option in any financial year of the Trust shall not exceed 2% of the aggregate number of Units outstanding at the start of that financial year;
- 7.1.5 the first trade of DRIP Units shall be deemed to be a distribution or a primary distribution to the public under the Legislation unless:
 - 7.1.5.1 except in Québec, the conditions contained in section 2.6 of MI 45-102 are satisfied;
 - 7.1.5.2 in Québec:
 - 7.1.5.2.1 the Trust is a reporting issuer in Québec and has been a reporting issuer in Québec for the four months preceding the trade and for the purposes of determining the period of time that the Trust has been a reporting issuer in Québec, the Autorité des marchés financiers recognizes the period during which AltaGas has been a reporting issuer in Québec immediately before the Arrangement;
 - 7.1.5.2.2 no unusual effort is made to prepare the market or to create a demand for the DRIP Units that are the subject of the trade;

2004 BCSECCOM 316

- 7.1.5.2.3 no extraordinary commission or other consideration is paid to a person or company in respect of the trade; and
- 7.1.5.2.4 if the selling securityholder of the DRIP Units is an insider or officer of the Trust, the selling securityholder has no reasonable grounds to believe that the Trust is in default of Québec securities legislation.

DATED this 20th day of May, 2004.

Glenda A. Campbell, Q.C., Vice-Chair

Stephen R. Murison, Vice-Chair