



**ALTAGAS LTD.**

Notice of Meeting

and

Management Information Circular

for the

**ANNUAL MEETING OF SHAREHOLDERS**

to be held on April 26, 2012

**Dated March 15, 2012**



**ALTAGAS LTD.**

March 15, 2012

Dear Shareholder:

Please accept this as my personal invitation for you to attend the Annual Meeting of the shareholders of AltaGas Ltd. (“**AltaGas**”) to be held on Thursday, April 26, 2012 at 3:00 p.m. (Calgary time) at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta.

The Notice of Meeting and Management Information Circular attached to this letter provide details as to the formal business items to be considered at the meeting, as well as information on AltaGas’ executive compensation and approach to governance. In addition to the formal business items, I will be presenting an overview of AltaGas’ results for the financial year ended December 31, 2011 and discussing AltaGas’ strategy for the future. The meeting is also an opportunity for you to meet the board of directors and senior executives of AltaGas.

If you are unable to attend the meeting in person, I encourage you to complete the enclosed form of proxy or, if applicable, voting instruction form and return it within the time frames indicated so that your vote is counted at the meeting. If you are unable to attend the meeting in person, you may also listen to a live webcast, which will be available on AltaGas’ website at [www.altagas.ca](http://www.altagas.ca) commencing at 3:00 p.m. (Calgary time) on Thursday, April 26, 2012; however you will not be able to vote or otherwise participate in the meeting via the webcast.

Information concerning AltaGas’ consolidated financial and operational performance for the financial year ended December 31, 2011 is presented in the 2011 Annual Report. Further information is available on AltaGas’ website at [www.altagas.ca](http://www.altagas.ca).

I appreciate your continued support of AltaGas and look forward to seeing you at the meeting.

Yours truly,

**ALTAGAS LTD.**

***“David W. Cornhill”***

David W. Cornhill

Chairman and Chief Executive Officer



**ALTAGAS LTD.**

**NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON APRIL 26, 2012**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Shares**”) of AltaGas Ltd. (“**AltaGas**”) will be held at the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta, Thursday, April 26, 2012 at 3:00 p.m. (Calgary time) for the following purposes:

1. to receive the annual report of the directors of AltaGas to the Shareholders and the consolidated financial statements of AltaGas for the year ended December 31, 2011 and the auditors’ report thereon;
2. to consider the nominees standing for election as directors and to elect nine directors of AltaGas;
3. to appoint Ernst & Young LLP as auditors of AltaGas and to authorize the directors of AltaGas to fix Ernst & Young LLP’s remuneration in that capacity; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment(s) thereof.

**Information relating to the matters to be brought before the Meeting is set forth in the Management Information Circular of AltaGas dated March 15, 2012 which accompanies this notice and which is expressly made a part of this notice.**

DATED at Calgary, Alberta, as of the 15<sup>th</sup> day of March, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS  
of ALTAGAS LTD.**

*“David W. Cornhill”*

David W. Cornhill  
Chairman and Chief Executive Officer

**Shareholders of record at the close of business on March 7, 2012 (the “Record Date”) will receive notice of, and be entitled to attend and vote at, the Meeting. No Shareholder who becomes a Shareholder after the Record Date will be entitled to attend or vote at the Meeting.**

**A Shareholder who is unable to attend the Meeting in person is requested to complete and sign the enclosed form of proxy and to deliver it to Computershare Investor Services Inc. (i) by mail to Proxy Department, 135 West Beaver Creek Road, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to 416-263-9524 or 1-866-249-7775. A Shareholder may also vote using the internet at [www.investorvote.com](http://www.investorvote.com) or telephone at 1-866-732-VOTE (8683). In order to be valid and acted upon at the Meeting, the form of proxy must be received no later than 3:00 p.m. (Calgary time) on the second business day before the date of the Meeting or any adjournment(s) thereof or be deposited with the Chairman of the Meeting prior to its commencement.**

Each Shareholder vote is very important to AltaGas. Any Shareholder having questions or concerns with respect to voting his or her Shares after reviewing the Management Information Circular should contact AltaGas’ registrar and transfer agent, Computershare Investor Services Inc., at:

North America: (800) 564-6253

Other locations: (514) 982-7555

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## ADDENDA

SCHEDULE A	STATEMENT OF ALTAGAS' GOVERNANCE PRACTICES
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**ALTAGAS LTD.**

**MANAGEMENT INFORMATION CIRCULAR**

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

This management information circular (“Information Circular”) is furnished in connection with the solicitation of proxies by management of AltaGas Ltd. (“AltaGas”) for use at the Annual Meeting (the “Meeting”) of the holders (“Shareholders”) of common shares (“Shares”) of AltaGas to be held at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, on Thursday, April 26, 2012 at 3:00 p.m. (Calgary time) and at any adjournment(s) thereof for the purposes set out in the accompanying notice of meeting (the “Notice of Meeting”). Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or e-mail by regular employees of AltaGas. Pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the Shares. The cost of any such solicitation will be borne by AltaGas. Information contained herein is given as of the date hereof unless otherwise specifically stated.

**Appointment of Proxy**

A Shareholder who is unable to attend the Meeting in person is requested to complete and sign the enclosed form of proxy and to deliver it to Computershare Investor Services Inc. (i) by mail to Proxy Department, 135 West Beaver Creek Road, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to 416-263-9524 or 1-866-249-7775. A Shareholder may also vote using the internet at [www.investorvote.com](http://www.investorvote.com) or telephone at 1-866-732-VOTE (8683). In order to be valid and acted upon at the Meeting, the form of proxy must be received no later than 3:00 p.m. (Calgary time) on the second business day before the date of the Meeting or any adjournment(s) thereof or be deposited with the Chairman of the Meeting prior to its commencement. By a resolution of the board of directors of AltaGas (the “board of directors”), the record date for the Meeting has been established as March 7, 2012 (the “Record Date”). Only Shareholders of record as at the close of business on the Record Date will receive notice of, and be entitled to attend and vote at, the Meeting. A Shareholder of record on the Record Date will be entitled to vote those Shares included in the list of Shareholders entitled to vote at the Meeting prepared as at the Record Date, even though the Shareholder may subsequently dispose of his or her Shares. No Shareholder who has become a Shareholder after the Record Date shall be entitled to attend or vote at the Meeting or any adjournment(s) thereof.

The document appointing a proxy shall be in writing and shall be executed by the Shareholder or his attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**A Shareholder submitting a form of proxy has the right to appoint a person to represent him or her at the Meeting (who need not be a Shareholder) other than the persons designated in the form of proxy furnished by AltaGas. To exercise that right, the name of the Shareholder’s appointee should be legibly printed in the blank space provided. In addition, the Shareholder should notify the appointee of his or her appointment, obtain his or her consent to act as appointee and instruct him or her on how the Shareholder’s Shares are to be voted.**

Shareholders who are not registered Shareholders should refer to “Notice to Beneficial Holders of Shares” below.

## Revocation of Proxy

A Shareholder who has submitted a form of proxy as directed hereunder may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which that proxy is to be voted, that person may revoke the proxy and vote in person. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or his attorney or authorized agent and deposited with Computershare Investor Services Inc. at any time up to 3:00 p.m. (Calgary time) on the last business day before the date of the Meeting, or any adjournment(s) thereof (i) by mail to Proxy Department, 135 West Beaver Creek Road, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to 416-263-9524 or 1-866-249-7775, or deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment(s) thereof, in either case prior to its commencement, and upon either of those deposits, the proxy is revoked.

## Exercise of Discretion by Proxy

The Shares represented by proxy will be voted on any ballot at the Meeting and, where the Shareholder specifies a choice with respect to any matter to be voted upon, those Shares shall be voted on or shall be withheld from voting on any ballot in accordance with the specification so made. **In the absence of any such specification, those Shares will be voted in favour of the proposed resolutions contained herein. The persons appointed under the form of proxy furnished by AltaGas are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and as to other matters which may be properly brought before the Meeting. At the time of mailing of this Information Circular, AltaGas did not know of any such amendment, variation or other matter.**

## Notice to Beneficial Holders of Shares

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of the Shareholders do not hold Shares in their own name. Shareholders who do not hold their Shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of AltaGas as the registered holders of Shares can be recognized and acted upon at the Meeting or any adjournment(s) thereof. If Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Shares will not be registered in the Shareholder’s name on the records of AltaGas. Those Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of those Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting Shares for their clients. AltaGas does not know for whose benefit the Shares registered in the name of CDS & Co., a broker or another nominee, are held.

Applicable regulatory policy requires intermediaries (such as brokers or other nominees) to seek voting instructions from Beneficial Shareholders in advance of Shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting or any adjournment(s) thereof. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number to vote the Shares held by the Beneficial Shareholder or access Broadridge’s dedicated voting website at [central.proxyvote.com](http://central.proxyvote.com) to deliver the Beneficial Shareholder’s voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting or any adjournment(s) thereof. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Shares directly at the Meeting or any adjournment(s)

thereof, as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting or any adjournment(s) thereof, as the case may be, in order to have the Shares voted.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

AltaGas is authorized to issue an unlimited number of Shares. As at the Record Date, 89,530,523 Shares were issued and outstanding. Shareholders of record are entitled to notice of, and to attend at, the Meeting, in person or by proxy, and to one vote per Share held on any ballot thereat.

In addition, as at the Record Date, 13,915,000 subscription receipts, issued on February 22, 2012, were issued and outstanding, each such subscription receipt entitling the holder thereof to receive, without payment of additional consideration or further action, one Share upon the closing of the acquisition by an indirect wholly-owned subsidiary of AltaGas of all of the issued and outstanding shares of common stock of SEMCO Holding Corporation from Continental Energy Systems LLC, plus an amount equal to the amount per Share of any cash dividends declared by AltaGas on the Shares to holders of record up to but not including the closing date of the acquisition. Holders of subscription receipts are not entitled to notice of, nor to attend at, the Meeting, nor are they entitled to vote thereat.

When any Share is held jointly by several persons, any one of them may vote at the Meeting in person or by proxy in respect of such Share, but if more than one of them shall be present at the Meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote purporting to be executed by or on behalf of a Shareholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

#### **Principal Holders of Shares**

To the best of the knowledge of the board of directors and the executive officers of AltaGas, as at the Record Date no person or company beneficially owns, or controls or directs, directly or indirectly, Shares carrying in aggregate 10 percent or more of the votes attached to all of the issued and outstanding Shares.

### **QUORUM FOR MEETING**

At the Meeting, a quorum shall consist of two or more individuals present in person either holding personally or representing as proxies not less in aggregate than five percent of the votes attached to all issued and outstanding Shares. If a quorum is not present at the Meeting, the Shareholders present may adjourn the Meeting to a fixed time and place but may not transact any other business.

### **APPROVAL REQUIREMENTS**

The specific resolutions that Shareholders will be asked to approve at the Meeting include resolutions regarding the election of the directors of AltaGas and the appointment of the auditors of AltaGas.

In order to be effective, the foregoing resolutions require the approval of more than 50 percent of the votes cast in respect of those resolutions by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

### **MATTERS TO BE CONSIDERED AT THE MEETING**

#### **Financial Statements**

At the Meeting, the consolidated financial statements of AltaGas for the year ended December 31, 2011 and the auditors' report thereon will be presented. These consolidated financial statements and Management's Discussion and Analysis relating thereto are included in the 2011 Annual Report of AltaGas.

#### **Election of Directors**

The board of directors currently consists of nine members, all of whom are elected annually. The articles of arrangement of AltaGas provide that the number of directors to be elected at the Meeting is determined from time to time by resolution of the board of directors, such number being not less than three and not more than fifteen. The board of directors has fixed the number of directors to be elected at the Meeting at nine. It is proposed that the







persons named below be elected as directors of AltaGas. As you will note from the enclosed form of proxy and voting instruction form, Shareholders may vote for each proposed director individually as opposed to voting for directors as a slate. In addition, AltaGas adopted a majority voting policy in 2009, which requires that any nominee for director who receives a greater number of votes withheld than for his or her election shall tender his or her resignation to the Chairman of the board of directors following AltaGas' annual meeting. This policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected. The Governance Committee and the board of directors shall consider the resignation and whether or not it should be accepted. The nominee shall not participate in any committee or board of directors deliberations on the resignation offer. Resignations are expected to be accepted except in situations where circumstances warrant the applicable director continuing to serve as a member of the board of directors. The board of directors shall disclose its election decision, via press release, within 90 days of the applicable annual meeting. If a resignation is accepted, the board of directors may appoint a new director to fill the vacancy created by the resignation.



The following nine nominees are proposed by AltaGas as the nominees for election as directors of AltaGas to serve until the next annual meeting of Shareholders or until their successors are duly elected or appointed:



Catherine M. Best  
 David W. Cornhill  
 Allan L. Edgeworth  
 Hugh A. Fergusson  
 Daryl H. Gilbert  
 Robert B. Hodgins  
 Myron F. Kanik  
 David F. Mackie  
 M. Neil McCrank


If any vacancies occur in the nominees proposed by AltaGas because any nominee is unable to serve or will not serve, the discretionary authority conferred by the proxies will be exercised to grant approval to AltaGas to vote for the election of any other person or persons nominated by AltaGas. The names of the nominees for election as directors, their municipalities of residence, age, present principal occupations, and their principal occupations during the last five years, whether they are independent within the meaning of NI 58-101 (as hereinafter defined), the year in which each became a director of AltaGas (or its predecessor) and the number of Shares, subscription receipts, preferred shares Series A, Share Options, RUs and PUs (as hereinafter defined ), if any, beneficially owned or over which control or direction is exercised by those persons, as at the Record Date, their board and committee membership and attendance and other public board memberships, and their voting results in respect of their directorship at the previous annual meeting of shareholders, are as follows:

	<b>Name of Proposed Nominee<sup>(1)</sup>; Securities Ownership; Voting Results<sup>(5)</sup></b>	<b>Background</b>	<b>Board Attendance in 2011; Committee Membership and Attendance in 2011; and Outside Directorships</b>
	<p><b>Catherine M. Best, CA, FCA, ICD.D</b> Calgary, Alberta, Canada Age<sup>(2)</sup>: 58 Independent Director</p> <p>Director since November 30, 2011</p> <p><b>Ownership:</b> Shares: nil Subscription Receipts: nil Share Options: nil RUs: 2,400 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: n/a Withheld: n/a Non-vote: n/a</p>	<p>Kay Best is a corporate director. From June 2008 until March 2009 she served as Interim Chief Financial Officer of Alberta Health Services. Prior thereto Ms. Best was Executive Vice-President, Risk Management and Chief Financial Officer of Calgary Health Region from 2000. Prior to 2000 she was with Ernst &amp; Young, where she served as a staff member and manager from 1980 to 1991, and was Corporate Audit Partner from 1991 to 2000.</p> <p>Ms. Best is a Chartered Accountant, was awarded her FCA designation in 2002 and her ICD.D in 2009.</p> <p>She is also a member of the Board of the Alberta Children's Hospital Foundation and The Calgary Foundation, and serves as a volunteer member of the Audit Committee of the Calgary Exhibition and Stampede and of the Audit Committee of the University of Calgary.</p>	<p><b>Attendance:</b></p> <p>Board: 1/1 (100%)</p> <p>Audit: 0/0 (100%)</p> <p><b>Current Public Board Memberships:</b></p> <p>Canadian Natural Resources Limited Enbridge Income Fund Holdings Inc. Superior Plus Corp.</p>
	<p><b>David W. Cornhill</b> Calgary, Alberta, Canada Age<sup>(2)</sup>: 58 Chairman and Chief Executive Officer of AltaGas</p> <p>Non-Independent Director<sup>(3)</sup></p> <p>Director since July 1, 2010</p> <p>Director of AltaGas General Partner Inc. from May 1, 2004 to June 30, 2010</p> <p>Director of AltaGas Services Inc. from March 28, 1994 to April 30, 2004</p> <p><b>Ownership:</b> Shares: 1,247,212 Subscription Receipts: 76,800 Share Options: 925,000 RUs: 10,000 PUs: nil Preferred Shares Series A: 20,000</p> <p><b>2011 AGM Voting Results:</b> For: 38,090,048 Withheld: 2,050,866 Non-vote: 2,797,074</p>	<p>David Cornhill is Chairman and Chief Executive Officer of AltaGas.</p> <p>Mr. Cornhill is a founding member of AltaGas Services Inc., predecessor to AltaGas. He has served as Chairman and Chief Executive Officer since AltaGas Services Inc.'s inception on April 1, 1994 and was appointed as a director of AltaGas on July 1, 2010. Prior to forming AltaGas Services Inc., Mr. Cornhill served in the capacities of Vice President, Finance and Administration, and Treasurer at Alberta and Southern Gas Co. Ltd. from 1991 to 1993 and as President and Chief Executive Officer until March 31, 1994.</p>	<p><b>Attendance:</b></p> <p>Board (<i>Chair</i>): 9/9 (100%)</p> <p>Environment, Occupational Health and Safety: 4/4 (100%)</p> <p><b>Current Public Board Memberships:</b></p> <p>Alterra Power Corp.</p>

	<b>Name of Proposed Nominee<sup>(1)</sup>; Securities Ownership; Voting Results<sup>(5)</sup></b>	<b>Background</b>	<b>Board Attendance in 2011; Committee Membership and Attendance in 2011; and Outside Directorships</b>
	<p><b>Allan L. Edgeworth, P.Eng.</b> Calgary, Alberta, Canada Age<sup>(2)</sup>: 61 Independent Director Director since July 1, 2010 Director of AltaGas General Partner Inc. from March 2, 2005 to June 30, 2010</p> <p><b>Ownership:</b> Shares: 8,610 Subscription Receipts: 2,000 Share Options: 60,000 RUs: 3,300 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: 39,637,873 Withheld: 503,041 Non-vote: 2,797,074</p>	<p>Allan Edgeworth has been the President of ALE Energy Inc. (a private consulting company) since January 2005 and is a Commission Member of the Alberta Securities Commission.</p> <p>Mr. Edgeworth was the President and CEO of Alliance Pipeline Ltd. from 2001 until December 2004. Mr. Edgeworth joined Alliance Pipeline Ltd. in 1998 as Executive Vice President and Chief Operating Officer.</p>	<p><b>Attendance:</b></p> <p>Board: 9/9 (100%)</p> <p>Audit: 5/5 (100%)</p> <p>Environment, Occupational Health and Safety (<i>Chair</i>): 4/4 (100%)</p> <p><b>Current Public Board Memberships:</b> Emera Incorporated Pembina Pipeline Corporation</p>
	<p><b>Hugh A. Fergusson, ICD.D</b> Calgary, Alberta, Canada Age<sup>(2)</sup>: 64 Independent Director Director since July 1, 2010 Director of AltaGas General Partner Inc. from May 7, 2008 to June 30, 2010</p> <p><b>Ownership:</b> Shares: 10,055 Subscription Receipts: nil Share Options: 43,000 RUs: 3,300 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: 39,527,640 Withheld: 613,274 Non-vote: 2,797,074</p>	<p>Mr. Fergusson is currently the President of Argyle Resources Inc. (a private energy consulting organization) and is a senior affiliate of Ian Murray &amp; Company Ltd. (a government relations and project management firm). He is also a director of the Alberta Electric System Operator and Galileo Educational Network.</p> <p>Mr. Fergusson was a director of Taylor Gas Liquids Ltd., general partner of Taylor NGL Limited Partnership, from January 1, 2005 until January 10, 2008.</p> <p>Mr. Fergusson was employed for over 25 years with The Dow Chemical Company, an international chemicals company listed on numerous stock exchanges, prior to his retirement in 2004 as the Vice President, Hydrocarbons and Energy of Dow Chemical Canada Inc.</p>	<p><b>Attendance:</b></p> <p>Board: 9/9 (100%)</p> <p>Audit: 5/5 (100%)</p> <p>Human Resources and Compensation: 6/6 (100%)</p> <p><b>Current Public Board Memberships:</b> Provident Energy Ltd. Canexus Corporation</p>

	<b>Name of Proposed Nominee<sup>(1)</sup>; Securities Ownership; Voting Results<sup>(5)</sup></b>	<b>Background</b>	<b>Board Attendance in 2011; Committee Membership and Attendance in 2011; and Outside Directorships</b>
	<p><b>Daryl H. Gilbert, P.Eng.</b> <sup>(4)</sup> Calgary, Alberta, Canada Age<sup>(2)</sup>: 60 Independent Director</p> <p>Director since July 1, 2010</p> <p>Director of AltaGas General Partner Inc. from May 1, 2004 to June 30, 2010</p> <p>Director of AltaGas Services Inc. from May 4, 2000 to April 30, 2004</p> <p><b>Ownership:</b> Shares: 900 Subscription Receipts: nil Share Options: 40,000 RUs: 3,300 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: 35,276,392 Withheld: 4,864,522 Non-vote: 2,797,074</p>	<p>Daryl Gilbert joined JOG Capital Inc. in May 2008 as a Managing Director and Investment Committee Member, and prior thereto was an independent businessman since January 2005. Prior to that, Mr. Gilbert was President and Chief Executive Officer of Gilbert Laustsen Jung Associates Ltd., an engineering consulting firm.</p>	<p><b>Attendance:</b></p> <p>Board: 9/9 (100%)</p> <p>Audit: 5/5 (100%)</p> <p>Human Resources and Compensation (<i>Chair</i>): 6/6 (100%)</p> <p><b>Current Public Board Memberships:</b> Crocotta Energy Inc. Falcon Oil &amp; Gas Ltd. Longview Oil Corp. MGM Energy Corp. Penn West Petroleum Ltd. PRD Energy Inc. Seaview Energy Inc. Suroco Energy Inc. Zedi Inc.</p>
	<p><b>Robert B. Hodgins, CA</b> Calgary, Alberta, Canada Age<sup>(2)</sup>: 60 Independent Director</p> <p>Director since July 1, 2010</p> <p>Director of AltaGas General Partner Inc. from March 2, 2005 to June 30, 2010</p> <p><b>Ownership:</b> Shares: 5,600 Subscription Receipts: nil Share Options: 60,000 RUs: 3,300 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: 36,712,329 Withheld: 3,428,585 Non-vote: 2,797,074</p>	<p>Robert Hodgins has been an independent businessman since November 2004. Prior to that, Mr. Hodgins served as the Chief Financial Officer of Pengrowth Corporation from 2002 to 2004. Prior to that, Mr. Hodgins held the position of Vice President and Treasurer of Canadian Pacific Limited from 1998 to 2002 and was Chief Financial Officer of TransCanada PipeLines Limited from 1993 to 1998.</p>	<p><b>Attendance:</b></p> <p>Board: 9/9 (100%)</p> <p>Audit (<i>Chair</i>): 5/5 (100%)</p> <p>Governance: 4/4 (100%)</p> <p><b>Current Public Board Memberships:</b> CUB Energy Inc. Enerplus Corporation Fairborne Energy Ltd. MEG Energy Corp. MGM Energy Corp. Skope Energy Inc.</p>

	<b>Name of Proposed Nominee<sup>(1)</sup>; Securities Ownership; Voting Results<sup>(5)</sup></b>	<b>Background</b>	<b>Board Attendance in 2011; Committee Membership and Attendance in 2011; and Outside Directorships</b>
	<p><b>Myron F. Kanik</b> Qualicum Beach, British Columbia, Canada Age<sup>(2)</sup>: 71</p> <p>Lead Director</p> <p>Independent Director</p> <p>Director since July 1, 2010</p> <p>Director of AltaGas General Partner Inc. from May 1, 2004 to June 30, 2010</p> <p>Director of AltaGas Services Inc. from June 1, 2001 to April 30, 2004</p> <p><b>Ownership:</b> Shares: 43,960 Subscription Receipts: nil Share Options: 40,000 RUs: 3,300 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: 38,624,462 Withheld: 1,516,452 Non-vote: 2,797,074</p>	<p>Myron Kanik has been the President of Kanik and Associates Ltd., an energy industry consulting company, since 1999. Mr. Kanik was President of the Canadian Energy Pipeline Association from 1993 to 1999, and prior thereto was with the Alberta Department of Energy where he served in various capacities, including Deputy Minister.</p>	<p><b>Attendance:</b></p> <p>Board: 9/9 (100%)</p> <p>Governance (<i>Chair</i>): 4/4 (100%)</p> <p>Human Resources and Compensation: 6/6 (100%)</p> <p><b>Current Public Board Memberships:</b> Pembina Pipeline Corporation</p>
	<p><b>David F. Mackie</b> Houston, Texas, U.S.A. Age<sup>(2)</sup>: 74<sup>(6)</sup></p> <p>Independent Director</p> <p>Director since July 1, 2010</p> <p>Director of AltaGas General Partner Inc. from May 1, 2004 to June 30, 2010</p> <p>Director of AltaGas Services Inc. from January 12, 1995 to April 30, 2004</p> <p><b>Ownership:</b> Shares: 1,283,091 Subscription Receipts: nil Share Options: 27,500 RUs: 3,300 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: 38,659,496 Withheld: 1,481,418 Non-vote: 2,797,074</p>	<p>David Mackie is a U.S.-based natural gas industry consultant and venture capital investor. Mr. Mackie brings a broad range of experience to the board of directors, having spent more than 32 years in various executive capacities, primarily with El Paso Natural Gas Co. and Transco Energy Co. He also has extensive consulting experience with many senior energy companies and the Maritimes and Northeast Pipeline Project.</p>	<p><b>Attendance:</b></p> <p>Board: 9/9 (100%)</p> <p>Governance: 4/4 (100%)</p> <p>Human Resources and Compensation: 6/6 (100%)</p> <p><b>Current Public Board Memberships:</b> Mr. Mackie is not a member of any other public boards.</p>

	<b>Name of Proposed Nominee<sup>(1)</sup>; Securities Ownership; Voting Results<sup>(5)</sup></b>	<b>Background</b>	<b>Board Attendance in 2011; Committee Membership and Attendance in 2011; and Outside Directorships</b>
	<p><b>M. Neil McCrank, Q.C., P.Eng.</b> Calgary, Alberta, Canada Age<sup>(2)</sup>: 68</p> <p>Independent Director</p> <p>Director since July 1, 2010</p> <p>Director of AltaGas General Partner Inc. from December 10, 2007 to June 30, 2010</p> <p><b>Ownership:</b> Shares: 7,000 Subscription Receipts: 3,000 Share Options: 45,000 RUs: 3,300 PUs: nil Preferred Shares Series A: nil</p> <p><b>2011 AGM Voting Results:</b> For: 38,731,385 Withheld: 1,409,529 Non-vote: 2,797,074</p>	<p>Neil McCrank is counsel to the Calgary office of Borden Ladner Gervais LLP. Mr. McCrank was Chairman of the Alberta Energy and Utilities Board from 1998 to 2007. Prior thereto he was with the Alberta Department of Justice serving in various capacities, including Deputy Minister of Justice from 1989 to 1998.</p>	<p><b>Attendance:</b></p> <p>Board: 9/9 (100%)</p> <p>Environment, Occupational Health and Safety: 4/4 (100%)</p> <p>Governance: 4/4 (100%)</p> <p><b>Current Public Board Memberships:</b></p> <p>Petrobank Energy and Resources Ltd.</p>

## Notes:

- (1) At the Record Date, the nominees for directors of AltaGas collectively held approximately 2.9 percent of the total issued and outstanding Shares. The information as to the Shares owned includes both Shares beneficially owned, directly or indirectly, and Shares over which control or direction is exercised, and has been furnished by each of the nominees as of the Record Date.
- (2) AltaGas has approved a retirement policy for directors pursuant to which the directors agree to tender his or her resignation from the board of directors at age 75.
- (3) Mr. David W. Cornhill, as Chief Executive Officer of AltaGas and a member of management, is not considered independent.
- (4) Mr. Daryl H. Gilbert, a director of AltaGas, was a director of Globel Direct, Inc. ("Globel") from December 1998 to June 2009. Globel was the subject of cease trade orders issued by the Alberta Securities Commission ("ASC") on November 22, 2002 and the British Columbia Securities Commission ("BCSC") on November 20, 2002 for failure to file certain financial statements. Globel filed such financial statements and the cease trade orders were removed on December 20, 2002 and December 23, 2002, respectively. On June 12, 2007, Globel was granted protection from its creditors by the Court of Queen's Bench of Alberta pursuant to the *Companies' Creditors Arrangement Act*, which protection expired on December 7, 2007, following which the monitor was discharged on December 12, 2007 and a receiver/manager was appointed. Subject to the completion of matters relating to the wind-up of the administration of the receivership, the receiver was discharged on September 3, 2008. Globel has ceased operations, and as a result became the subject of cease trade orders issued by the ASC on September 24, 2008 and the BCSC on September 30, 2008 for failure to file certain disclosure documents. Globel was struck from the Alberta corporate registry on June 2, 2009.
- (5) These results reflect only the 42,937,988 Shares voted by proxy and not the 1,099,407 Shares voted in person, as this motion was voted by show-of-hands and not by ballot.
- (6) David Mackie turns 75 between the Record Date and the date of the Meeting. Despite reaching the age of 75 prior to the date of the Meeting, Mr. Mackie has agreed to stand for re-election at the Meeting, and the board of directors has determined it to be in the best interests of AltaGas for him to do so, to ensure consistency and to maintain the expertise currently held by the board of directors.

***Interlocking Service as at the Record Date***

In assessing the independence of the members of the board of directors, we acknowledge these relationships, but are confident that they do not present any actual or perceived conflicts to independence.

<b>Company</b>	<b>Directors in Common</b>	<b>Committees in Common</b>
MGM Energy Corp.	Daryl H. Gilbert Robert B. Hodgins	Mr. Gilbert and Mr. Hodgins are members of the Audit Committees of both AltaGas and MGM Energy Corp.
Pembina Pipeline Corporation	Allan L. Edgeworth Myron F. Kanik	None

Please refer to the first table above under “*Matters to be Considered at the Meeting – Election of Directors*” for all current public board of director memberships for each director nominee.

***Areas of Expertise***

The experience and qualifications of the members of the board of directors contribute to AltaGas’ success (please refer to the disclosure under the heading “Background” in the summary table above). The wealth of knowledge and depth of understanding of their role and our industry has a profound impact on the way we conduct business. The following matrix illustrates the expertise that AltaGas’ directors possess in each area (please refer to the table following this matrix for a description of each area of expertise):

<b>Name</b>	<b>Professional Designation</b>	<b>Managing Leading Growth</b>	<b>Geographic</b>	<b>CEO / Senior Officer</b>	<b>Compensation</b>	<b>Gas Infrastructure</b>	<b>Power Infrastructure</b>	<b>Regulated Utilities</b>	<b>Governance / Board</b>	<b>Financial Acumen</b>	<b>EOHS</b>	<b>Diversity</b>	<b>Marketing Expertise</b>
Best	CA, FCA, ICD.D	x	x	x	x	x			x	x		x	
Cornhill		x	x	x	x	x	x	x	x	x	x		x
Edgeworth	P.Eng.	x	x	x		x		x	x	x	x		
Fergusson	Solicitor, ICD.D	x	x	x	x	x	x		x	x	x		x
Gilbert	P.Eng.	x	x	x	x				x	x		x	
Hodgins	CA	x	x	x	x	x	x	x	x	x			
Kanik		x	x	x	x	x		x	x	x	x	x	
Mackie	Attorney	x	x	x	x	x		x		x		x	x
McCrank	Solicitor, P.Eng.	x	x	x		x	x	x	x		x	x	

The following table provides descriptions for the areas of expertise used in the foregoing matrix:

<b>Skill/Experience Description</b>
<b>Managing/Leading Growth</b> —Senior executive experience driving strategic insight and direction to encourage innovation and conceptualize key trends to continuously challenge the organization to sharpen its vision while achieving significant organic growth.
<b>Geographic</b> —Senior executive experience working in an organization with operations where AltaGas is or may be active. Has a thorough understanding of different cultural, political and regulatory requirements in the areas in which AltaGas operates.
<b>CEO/Senior Officer</b> —Experience working as a CEO or senior officer for a major organization.
<b>Compensation</b> —Senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefit and pension programs, legislation and agreements. This includes specific expertise in executive compensation programs including base pay, incentives, equity and perquisites.
<b>Gas Infrastructure</b> —Senior executive experience in the gas infrastructure industry, combined with a strong knowledge of AltaGas’ strategy, markets, competitors, operational issues, regulatory concerns and technology.
<b>Power Infrastructure</b> —Senior executive experience in the power infrastructure industry, combined with a strong knowledge of AltaGas’ strategy, markets, competitors, operational issues, regulatory concerns and technology.

<b>Regulated Utilities</b> —Senior executive experience in the regulated utility industry, combined with a strong knowledge of AltaGas’ strategy, markets, competitors, operational issues, regulatory concerns and technology.
<b>Governance/Board</b> —Prior or current experience as a board member of a public major Canadian organization.
<b>Financial Acumen</b> —Senior executive experience in financial accounting and reporting, and corporate finance, especially with respect to debt and equity markets. Familiarity with internal control over financial reporting.
<b>Environment, Occupational Health and Safety (EOHS)</b> —Thorough understanding of industry regulations and public policy related to workplace environment, health and safety. May have had an active leadership role in the shaping of public policy in Canada and abroad. Demonstrated commitment to AltaGas’ EOHS values.
<b>Diversity</b> —Contributes to the board in a way that enhances perspectives through diversity in gender, ethnic background, geographic origin, experience (industry and public, private and non-profit sectors), etc.
<b>Marketing Expertise</b> —Senior executive experience in the energy marketing industry, combined with a strong knowledge of AltaGas’ strategy, markets, competitors, operational issues and regulatory concerns.

### *Director Education*

AltaGas arranges meetings between new directors and the Lead Director, the Chairman, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, the Vice President, General Counsel and Corporate Secretary and other members of management to discuss the role of the board of directors, its Committees and its directors, and the nature and operation of AltaGas’ business.

Ongoing education of all directors is offered where a need is perceived or based on input obtained from individual directors as part of the assessment process. Following are some continuing education topics provided to the directors in 2011:

2011	Topic	Presented / Hosted By	Presented To
May 3	Eligibility for United States Generally Accepted Accounting Principles	External legal counsel	Audit Committee
May 3	United States Generally Accepted Accounting Principles	Senior Vice President Finance and Chief Financial Officer	Audit Committee
May 30	Site visit – AltaGas Utilities Inc. – Leduc, AB	AUI staff	EOHS Committee, Fergusson, Hodgins
May 30	Site visit – Edmonton Ethane Extraction Plant	EEEP operators	EOHS Committee, Fergusson, Hodgins
Oct 18	Certain securities law and disclosure updates	Internal legal counsel	Governance Committee

### *Sessions without Management and Meetings Held*

In 2011, sessions without management were held at each board of directors meeting and regularly scheduled Audit Committee meeting. The Lead Director presides over these sessions of the board of directors, and the chair of each Committee presides over these sessions of each Committee, and informs management what was discussed and if any action is required. The sessions of independent directors are of no fixed duration and participants are invited to raise and discuss any comments or concerns.

Board / Committee	Sessions without management in 2011 / meetings held		
	Regular	Special	Overall
Board of Directors	6/6	3/3	9/9
Audit Committee	5/5	0/0	5/5
Environment, Occupational Health and Safety Committee	4/4	0/0	4/4
Governance Committee	4/4	0/0	4/4
Human Resource and Compensation Committee	5/5	1/1	6/6



Please refer to the first table above under “*Matters to be Considered at the Meeting – Election of Directors*” for the attendance of each director nominee at meetings in 2011.

### **Director Compensation**

AltaGas’ objectives with respect to director compensation include (a) recruiting and retaining qualified individuals to serve as members of the board of directors and contribute to AltaGas’ overall success, (b) aligning the interests of the members of the board of directors with those of the Shareholders, and (c) offering competitive compensation.

AltaGas provides all non-executive directors with a comprehensive compensation package of annual cash retainers, meeting fees and equity-based awards in the form of RUs. The directors also hold Share Options granted in prior years. The package provides competitive remuneration for the increasing responsibilities, time commitments and accountability of members of the board of directors. The Chairman and Chief Executive Officer is the only management director, and he receives no compensation for his role as a director. Management, the Governance Committee and the board of directors regularly review the compensation of directors. Directors resident in Canada may participate in the AltaGas group benefits plan.

AltaGas has not placed a restriction on the purchase by its directors of financial instruments (including prepaid variable forward contracts, equity swaps, collars or units of exchange funds) that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the director. **To AltaGas’ knowledge, none of the directors have purchased any such financial instruments.**

The following table reflects the aggregate compensation paid to directors of AltaGas during the year ended December 31, 2011.

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-based Awards<sup>(1)(2)</sup> (\$)</b>	<b>Option- based Awards<sup>(1)</sup> (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All other Compensation<sup>(3)</sup> (\$)</b>	<b>Total (\$)</b>
Catherine M. Best	1,500	84,744	nil	nil	nil	313	86,557
David W. Cornhill <sup>(4)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Allan L. Edgeworth	70,500	80,808	nil	nil	nil	3,895	155,203
Hugh A. Fergusson	70,000	80,808	nil	nil	nil	3,895	154,703
Denis C. Fonteyne <sup>(5)</sup>	21,834	nil	nil	nil	nil	1,868	23,702
Daryl H. Gilbert	75,375	80,808	nil	nil	nil	3,894	160,077
Robert B. Hodgins	83,250	80,808	nil	nil	nil	3,894	167,952
Myron F. Kanik <sup>(6)</sup>	134,375	80,808	nil	nil	nil	5,202	220,385
David F. Mackie	69,000	80,808	nil	nil	nil	nil	149,808
M. Neil McCrank	66,500	80,808	nil	nil	nil	3,894	151,202

Notes:

- (1) See discussion of the MTIP and the Share Option Plan in more detail below under “*Compensation Discussion and Analysis – Compensation Mix – Long Term Incentives*”.
- (2) Share-based awards to directors consisted entirely of RUs in 2011. Grant date fair value for RUs is estimated using a Black-Scholes-Merton valuation model, modified to reflect the accumulation of additional Shares with distributions, which requires the following inputs: market price on the grant date; expected life of the RU; risk-free interest rate (current rate of a zero coupon Canada government bond with a remaining term equal to the expected life of the RU); Share price volatility (measured from May 3, 2004 to grant date); and dividend rate (annualized dividend rate based on current dividend and market price). Accounting fair value of RUs as at the grant date is nil, as the expense is accrued during the vesting period. AltaGas uses the Black-Scholes-Merton valuation model because it is the most widely used valuation method for this type of compensation, and should thus be the most comparable and most understood model.
- (3) No perquisites were paid to, or earned by, the directors in the financial year. Amounts are attributable to participation in the AltaGas group benefits plan.
- (4) Mr. Cornhill received no additional compensation for his role as a director.

- (5) Mr. Fonteyne did not stand for re-election at the AltaGas Annual General Meeting on April 20, 2011, and retired from the board of directors at the conclusion of that meeting.
- (6) Mr. Kanik is the Lead Director.

### Fees Earned

The members of the board of directors are entitled to compensation for their services as directors of AltaGas. In the year ended December 31, 2011, the compensation for the directors, other than the directors who are also executive officers or employees of AltaGas, was a retainer of \$35,000 per year to June 30, 2011 and \$40,000 per year thereafter, plus a board meeting fee of \$1,250 per meeting for meetings up to June 30, 2011, and \$1,500 per meeting thereafter, and reimbursement for their out-of-pocket expenses incurred in acting as a director. The Chairman of the board of directors is an executive officer of AltaGas and received no additional fees for service on the board of directors. The Lead Director received an additional annual fee of \$60,000 for the increased workload associated with the role of Lead Director. In the year ended December 31, 2011, each director who is a chair of one of AltaGas' committees received additional compensation, with the chair of the Audit Committee receiving an additional annual retainer of \$18,500 to June 30, 2011 and \$20,000 thereafter, and the chair of each of the other committees receiving an additional annual retainer of \$8,250 to June 30, 2011 and \$10,000 thereafter. Each member of a committee received an additional annual retainer of \$3,500 per committee to June 30, 2011, and \$4,000 thereafter. Each director who is a member of one of AltaGas' committees received a meeting fee of \$1,000 per meeting for meetings up to June 30, 2011, and \$1,250 per meeting thereafter.

A member of the board of directors of AltaGas who is also an executive officer of AltaGas is not entitled to compensation for services rendered to AltaGas in his or her capacity as a director, and will instead receive compensation in his or her capacity as an executive officer of AltaGas.

<b>Name</b>	<b>Base Retainer Fee (\$)</b>	<b>Board/Committee Chair Retainer Fee (\$)</b>	<b>Committee Retainer Fee (\$)</b>	<b>Board Attendance Fee (\$)</b>	<b>Committee Attendance Fee (\$)</b>	<b>Total Fees (\$)</b>
Catherine M. Best	nil	nil	nil	1,500	nil	1,500
David W. Cornhill <sup>(1)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Allan L. Edgeworth	37,500	5,000	5,500	12,750	9,750	70,500
Hugh A. Fergusson	37,500	nil	7,500	12,750	12,250	70,000
Denis C. Fonteyne <sup>(2)</sup>	11,667	2,750	1,167	1,250	5,000	21,834
Daryl H. Gilbert	37,500	9,125	3,750	12,750	12,250	75,375
Robert B. Hodgins	37,500	19,250	3,750	12,750	10,000	83,250
Myron F. Kanik	97,500	9,125	3,750	12,750	11,250	134,375
David F. Mackie	37,500	nil	7,500	12,750	11,250	69,000
M. Neil McCrank	37,500	nil	7,500	12,750	8,750	66,500

Notes:

- (1) Mr. Cornhill received no additional compensation for his role as a director.
- (2) Mr. Fonteyne did not stand for re-election at the AltaGas Annual General Meeting on April 20, 2011, and retired from the board of directors at the conclusion of that meeting.

Incentive Plan Awards

**Outstanding Share Option-based Awards and Share-based Awards**

The following table reflects all Share option-based and Share-based incentive plan awards outstanding to directors at December 31, 2011.

Name	Share Option-based Awards				Share-based Awards		
	Shares underlying unexercised Share Options (#)	Share Option exercise price <sup>(1)</sup> (\$/Share)	Share Option expiration date	Value of unexercised in-the-money Share Options <sup>(2)</sup> (\$)	Number of Shares that have not vested (#)	Market or payout value of Share – based awards that have not vested <sup>(3)</sup> (\$)	Market or payout value of vested Share-based awards not paid out or distributed (\$)
Catherine M. Best	nil	n/a	n/a	n/a	2,400 RU <sup>+</sup>	95,280	nil
David W. Cornhill <sup>(4)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Allan L. Edgeworth	20,000 15,000 25,000	24.62 27.13 14.24	16/03/2015 11/12/2016 10/12/2018	144,400 70,650 440,000	300 RU 600 RU 2,400 RU <sup>+</sup>	11,469 22,436 94,806	nil
Hugh A. Fergusson	20,000 23,000	25.39 14.24	07/05/2018 10/12/2018	129,000 404,800	300 RU 600 RU 2,400 RU <sup>+</sup>	11,469 22,436 94,806	nil
Denis C. Fonteyne <sup>(5)</sup>	nil	n/a	n/a	n/a	172 RU 124 RU	5,614 4,380	nil
Daryl H. Gilbert	15,000 25,000	27.13 14.24	11/12/2016 10/12/2018	70,650 440,000	300 RU 600 RU 2,400 RU <sup>+</sup>	11,469 22,436 94,806	nil
Robert B. Hodgins	20,000 15,000 25,000	24.62 27.13 14.24	16/03/2015 11/12/2016 10/12/2018	144,400 70,650 440,000	300 RU 600 RU 2,400 RU <sup>+</sup>	11,469 22,436 94,806	nil
Myron F. Kanik	15,000 25,000	27.13 14.24	11/12/2016 12/10/2018	70,650 440,000	300 RU 600 RU 2,400 RU <sup>+</sup>	11,469 22,436 94,806	nil
David F. Mackie	15,000 12,500	27.13 14.24	11/12/2016 10/12/2018	70,650 220,000	300 RU 600 RU 2,400 RU <sup>+</sup>	11,469 22,436 94,806	nil
M. Neil McCrank	20,000 25,000	25.00 14.24	10/12/2017 10/12/2018	136,800 440,000	300 RU 600 RU 2,400 RU <sup>+</sup>	11,469 22,436 94,806	nil

Notes:

- (1) The option exercise price is set using the closing price of Shares on the trading day preceding the grant date.
  - (2) The value of unexercised in-the-money Share Options represents the difference between the closing price of Shares on December 30, 2011 (\$31.84) and the exercise price.
  - (3) Market or payout value of RUs that have not vested is calculated by adding the original number of Shares granted to the additional Shares accumulated to December 31, 2011 with respect to those original grants, multiplying such sum by the average closing price for the last 20 trading days of 2011 (\$31.42), and adding the dividends that would accumulate on those Shares until vesting assuming a dividend of \$1.38 per Share per annum.
  - (4) Mr. Cornhill received no additional compensation for his role as a director.
  - (5) Mr. Fonteyne did not stand for re-election at the AltaGas Annual General Meeting on April 20, 2011, and retired from the board of directors at the conclusion of that meeting. In accordance with the MTIP, following a participant's retirement the number of outstanding RUs and PUs attributable to such participant is prorated up to the date of retirement. As a result, Mr. Fonteyne will continue to receive payments under the MTIP for the prorated units noted above.
- + Granted during the year ended December 31, 2011.

### Incentive Plan Awards – Value Vested or Earned During 2011

The following table reflects the aggregate dollar value on vesting of Share Options and RUs for directors during the year ended December 31, 2011 and annual cash incentives earned during that year by such directors.

Name	Share Option-based awards - Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Catherine M. Best	n/a	n/a	n/a
David W. Cornhill <sup>(3)</sup>	n/a	n/a	n/a
Allan L. Edgeworth	108,688	28,063	n/a
Hugh A. Fergusson	108,688	28,063	n/a
Denis C. Fonteyne <sup>(4)</sup>	n/a	19,072	n/a
Daryl H. Gilbert	108,688	28,063	n/a
Robert B. Hodgins	108,688	28,063	n/a
Myron F. Kanik	108,688	28,063	n/a
David F. Mackie	108,688	28,063	n/a
M. Neil McCrank	108,688	28,063	n/a

Notes:

- (1) The value upon the vesting of Share Options represents the difference between the market price of the Shares at the time of vesting and the exercise price of Share Options.
- (2) Consists entirely of RUs. The value upon the vesting of RUs represents the product of the RUs vested multiplied by the market price of Shares at the time of vesting.
- (3) Mr. Cornhill received no additional compensation for his role as a director.
- (4) Mr. Fonteyne did not stand for re-election at the AltaGas Annual General Meeting on April 20, 2011, and retired from the board of directors at the conclusion of that meeting.

Share Options granted to the directors vest as to 25% on each of the first, second, third and fourth anniversaries of the grant date, and expire on the tenth anniversary, with the following exceptions:

- (i) Share Options with a 11/12/2016 expiration date vest as to 50% immediately, and 25% on each of the first and second anniversaries of the grant date;
- (ii) Share Options granted to Mr. McCrank with a 10/12/2017 expiration date and to Mr. Fergusson with a 07/05/2018 expiration date vest as to one-third immediately, and one-third on each of the first and second anniversaries of the grant date.

Refer to “*Compensation Discussion and Analysis – Compensation Mix – Long Term Incentives – Share Option Plan*” for a summary of the material provisions of AltaGas’ Share Option Plan. The Share Option Plan provides that:

- no Share Option may be granted to non-employee directors of AltaGas if the granting of such Share Option could result, at any time, in the issuance to such persons (as a group) of a number of Shares exceeding 1% of the number of Shares then issued and outstanding immediately prior to such issuance; and
- within any one fiscal year, the total value of Share Options granted to a non-employee director, as determined by the board of directors on the grant date of Share Options to the non-employee director using the Black-Scholes-Merton valuation model, shall not exceed \$100,000.

The total number of Share Options granted to non-employee directors at December 31, 2011 is equal to 0.35 percent of the issued and outstanding Shares.

In support of the column titled “Share Option-based awards - Value vested during the year” in the table above, the following Share Options vested in 2011:

Name	Shares underlying Share Options vested during the year (#)	Share Option exercise price (\$)	Vesting date	Market price of Shares on vesting date (\$)	Value vested during the year (\$)
Catherine M. Best	nil	n/a	n/a	n/a	n/a
David W. Cornhill <sup>(1)</sup>	n/a	n/a	n/a	n/a	n/a
Allan L. Edgeworth	6,250	14.24	10/12/2011	31.63	108,688
Hugh A. Fergusson	6,250	14.24	10/12/2011	31.63	108,688
Denis C. Fonteyne <sup>(2)</sup>	nil	n/a	n/a	n/a	n/a
Daryl H. Gilbert	6,250	14.24	10/12/2011	31.63	108,688
Robert B. Hodgins	6,250	14.24	10/12/2011	31.63	108,688
Myron F. Kanik	6,250	14.24	10/12/2011	31.63	108,688
David F. Mackie	6,250	14.24	10/12/2011	31.63	108,688
M. Neil McCrank	6,250	14.24	10/12/2011	31.63	108,688

Notes:

- (1) Mr. Cornhill received no additional compensation for his role as a director.
- (2) Mr. Fonteyne did not stand for re-election at the AltaGas Annual General Meeting on April 20, 2011, and retired from the board of directors at the conclusion of that meeting.

Please refer to “*Compensation Discussion and Analysis – Compensation Mix – Long Term Incentives – Mid Term Incentive Plan*” for a summary of the MTIP.

In support of the column titled “Share-based awards - Value vested during the year” in the table above, the following RUs vested in 2011:

Name	Shares underlying RUs vested during the year (#)	Additional Shares accumulated at time of vesting <sup>(1)</sup> (#)	Vesting date	Market price of Shares on vesting date <sup>(2)</sup> (\$)	Value vested during the year <sup>(4)</sup> (\$)
Catherine M. Best	nil	n/a	n/a	n/a	n/a
David W. Cornhill <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a
Allan L. Edgeworth	250 RU	82	01/11/2011	28.09	9,354
	300 RU	48	01/11/2011	28.09	9,822
	300 RU	15	01/11/2011	28.09	8,887
Hugh A. Fergusson	250 RU	82	01/11/2011	28.09	9,354
	300 RU	48	01/11/2011	28.09	9,822
	300 RU	15	01/11/2011	28.09	8,887
Denis C. Fonteyne <sup>(5)</sup>	206 RU	67	01/11/2011	28.09	7,697
	220 RU	35	01/11/2011	28.09	7,212
	141 RU	7	01/11/2011	28.09	4,164
Daryl H. Gilbert	250 RU	82	01/11/2011	28.09	9,354
	300 RU	48	01/11/2011	28.09	9,822
	300 RU	15	01/11/2011	28.09	8,887

Name	Shares underlying RUs vested during the year (#)	Additional Shares accumulated at time of vesting <sup>(1)</sup> (#)	Vesting date	Market price of Shares on vesting date <sup>(2)</sup> (\$)	Value vested during the year <sup>(4)</sup> (\$)
Robert B. Hodgins	250 RU	82	01/11/2011	28.09	9,354
	300 RU	48	01/11/2011	28.09	9,822
	300 RU	15	01/11/2011	28.09	8,887
Myron F. Kanik	250 RU	82	01/11/2011	28.09	9,354
	300 RU	48	01/11/2011	28.09	9,822
	300 RU	15	01/11/2011	28.09	8,887
David F. Mackie	250 RU	82	01/11/2011	28.09	9,354
	300 RU	48	01/11/2011	28.09	9,822
	300 RU	15	01/11/2011	28.09	8,887
M. Neil McCrank	250 RU	82	01/11/2011	28.09	9,354
	300 RU	48	01/11/2011	28.09	9,822
	300 RU	15	01/11/2011	28.09	8,887

Notes:

- (1) The RUs are tracked during the applicable vesting period and dividends on a Share during that period are deemed to be paid on the dates of dividend on each PU and RU and reinvested to acquire more phantom whole shares and accrue to the benefit of that individual in the accounts maintained for that individual, to be paid to the individual if and to the extent vesting occurs.
- (2) The market price of Shares for the purpose of calculating amounts payable pursuant to vested RUs and PUs is the average of the closing price of Shares for the immediately preceding 20 days prior to vesting.
- (3) Mr. Cornhill received no additional compensation for his role as a director.
- (4) Numbers may not add to those disclosed under the column "Share-based awards – Value vested during the year" in the first table under the heading "Incentive Plan Awards – Value Vested or Earned During 2011" due to rounding.
- (5) Mr. Fonteyne did not stand for re-election at the AltaGas Annual General Meeting on April 20, 2011, and retired from the board of directors at the conclusion of that meeting. In accordance with the MTIP, following a participant's retirement the number of outstanding RUs and PUs attributable to such participant is prorated up to the date of retirement. As a result, Mr. Fonteyne will continue to receive payments under the MTIP, which include the prorated units noted above.

### Share Options – Value Exercised During 2011

The following Share Options were exercised in 2011:

Name	Shares underlying Share Options exercised during the year (#)	Share Option exercise price (\$)	Exercise date	Market price of Shares on exercise date (\$)	Value exercised during the year (\$)
Catherine M. Best	nil	n/a	n/a	n/a	n/a
David W. Cornhill <sup>(1)</sup>	n/a	n/a	n/a	n/a	n/a
Allan L. Edgeworth	nil	n/a	n/a	n/a	n/a
Hugh A. Fergusson	2,000	14.24	09/03/2011	24.99	21,500
Denis C. Fonteyne <sup>(2)</sup>	12,500	14.24	09/05/2011	24.70	130,750
Daryl H. Gilbert	nil	n/a	n/a	n/a	n/a
Robert B. Hodgins	nil	n/a	n/a	n/a	n/a
Myron F. Kanik	nil	n/a	n/a	n/a	n/a

Name	Shares underlying Share Options exercised during the year (#)	Share Option exercise price (\$)	Exercise date	Market price of Shares on exercise date (\$)	Value exercised during the year (\$)
David F. Mackie	nil	n/a	n/a	n/a	n/a
M. Neil McCrank	nil	n/a	n/a	n/a	n/a

Notes:

- (1) Mr. Cornhill received no additional compensation for his role as a director.
- (2) Mr. Fonteyne did not stand for re-election at the AltaGas Annual General Meeting on April 20, 2011, and retired from the board of directors at the conclusion of that meeting.

### **Share Ownership Requirement**

In recognition of the importance of ensuring an alignment of financial interests of directors with those of Shareholders, AltaGas has adopted a Share ownership requirement for directors of AltaGas. Under the requirement, directors must achieve a Share ownership level of three times their annual retainer, plus the value of grants of Shares, RUs, PUs and Share Options, within a five-year period commencing on the later of February 25, 2009 or upon the date of formal appointment as a director of AltaGas. This requirement replaces a guideline that was established on August 9, 2006.

Name	Targeted Ownership of Shares as at 2011 Fiscal Year-End <sup>(1)</sup> (#)	Shares held as at 2011 Fiscal Year-End <sup>(2)</sup> (#)	Unvested RUs as at 2011 Fiscal Year-End <sup>(3)</sup> (#)	Total for Share Ownership Guidelines as at 2011 Fiscal Year-End <sup>(3)</sup> (#)	Share Ownership Requirement Met (Yes/No)
Catherine M. Best	3,918	nil	2,400	2,400	Yes <sup>(5)</sup>
David W. Cornhill <sup>(4)</sup>	n/a	1,247,212	10,000	1,257,212	n/a
Allan L. Edgeworth	3,794	8,610	3,300	11,910	Yes
Hugh A. Fergusson	3,794	10,055	3,300	13,355	Yes
Daryl H. Gilbert	3,794	900	3,300	4,200	Yes
Robert B. Hodgins	3,794	5,600	3,300	8,900	Yes
Myron F. Kanik	3,794	43,960	3,300	47,260	Yes
David F. Mackie	3,794	1,283,091	3,300	1,286,391	Yes
M. Neil McCrank	3,794	7,000	3,300	10,300	Yes

Notes:

- (1) Required ownership is three (3x) times the annual retainer, plus the value of grants of Shares, RUs, PUs and Share Options. Annual retainer at December 31, 2011 was \$40,000, and value of RU grant was \$80,808 (\$84,744 for Ms. Best), for required ownership of \$120,808 (\$124,744 for Ms. Best) within the five-year period referenced above. Share closing price on the TSX on December 30, 2011 was \$31.84.
- (2) The information as to the Shares owned includes both Shares beneficially owned, directly or indirectly, and Shares over which control or direction is exercised, and has been furnished by each of the nominees.
- (3) For purposes of achieving compliance with AltaGas' Share ownership guidelines, unvested RUs count toward Share ownership.
- (4) Mr. Cornhill is subject to the Share ownership guidelines for officers. See "Share Ownership Guidelines for Officers" set out below.
- (5) Ms. Best joined AltaGas as a director on November 30, 2011.

The Governance Committee periodically reviews Shareholding levels to monitor the progress individual directors are making towards required ownership levels and to ensure directors meet and maintain those levels. Two of the eight independent directors increased their Share ownership in 2011 as compared to year-end 2010, and seven of the eight independent directors increased their total ownership in 2011 for the purpose of achieving compliance

with the Share ownership requirements as compared to year-end 2010 (Ms. Best joined the board of directors on November 30, 2011).

***Value of Equity Ownership by Directors***

The directors held the following equity and equity incentives in AltaGas, with the following accumulated value, at December 31, 2011:

<b>Name</b>	<b>Shares / Share Value<sup>(1)</sup> (#/\$)</b>	<b>Shares Underlying Unexercised Share Options / Unexercised Option Value<sup>(2)</sup> (#/\$)</b>	<b>Unvested RUs / Unvested RU Value<sup>(3)</sup> (#/\$)</b>	<b>Preferred Shares Series A / Preferred Shares Series A Value<sup>(4)</sup> (#/\$)</b>	<b>Accumulated Value (\$)</b>
Catherine M. Best	nil	nil	2,400 / 95,280	nil	95,280
David W. Cornhill	1,247,212 / 39,711,230	925,000 / 8,626,250	10,000 / 382,309	20,000 / 516,400	49,236,189
Allan L. Edgeworth	8,610 / 274,142	60,000 / 655,050	3,300 / 128,711	nil	1,057,903
Hugh A. Fergusson	10,055 / 320,151	43,000 / 533,800	3,300 / 128,711	nil	982,662
Daryl H. Gilbert	900 / 28,656	40,000 / 510,650	3,300 / 128,711	nil	668,017
Robert B. Hodgins	5,600 / 178,304	60,000 / 655,050	3,300 / 128,711	nil	962,065
Myron F. Kanik	43,960 / 1,399,686	40,000 / 510,650	3,300 / 128,711	nil	2,039,047
David F. Mackie	1,283,091 / 40,853,617	27,500 / 290,650	3,300 / 128,711	nil	41,272,978
M. Neil McCrank	7,000 / 222,880	45,000 / 576,800	3,300 / 128,711	nil	928,391

Notes:

- (1) Using the December 30, 2011 closing price on the TSX of \$31.84 for Shares.
- (2) Using the values previously disclosed under the table heading "Value of unexercised in-the-money Share Options" for Share Options.
- (3) Using the values previously disclosed under the table heading "Market or payout value of Share-based awards that have not vested" for RUs.
- (4) Using the December 30, 2011 closing price on the TSX of \$25.82 for preferred shares series A.



## Appointment of Auditors

Unless it is specified in a proxy that the Shareholder withholds approval for AltaGas to appoint Ernst & Young LLP (“E&Y”) as auditors of AltaGas, the persons named in the enclosed form of proxy intend to grant approval to AltaGas to cause the appointment of E&Y as auditors of AltaGas, to hold office until the next annual meeting of Shareholders following the Meeting, with remuneration to be determined by AltaGas. Fees paid to E&Y during 2011 and 2010 were as follows:

Category of External Auditor Service Fee	2011	2010
Audit Fees	\$779,213	\$767,587
Audit-Related Fees <sup>(1)</sup>	\$21,520	\$14,420
Tax Fees <sup>(2)</sup>	\$--	\$--
All Other Fees <sup>(3)</sup>	\$413,195	\$346,170
<b>TOTAL</b>	<b>\$1,213,927</b>	<b>\$1,128,177</b>

Notes:

- (1) Represent the aggregate fees billed by E&Y for assurance and related services that were reasonably related to the performance of the audit or review of AltaGas’ financial statements and were not reported under "Audit Fees". The nature of the services was for accounting advice.
- (2) Represent the aggregate fees billed by E&Y for professional services for tax compliance, tax advice and tax planning. The nature of the services was tax services and tax planning.
- (3) Represent the aggregate fees billed by E&Y for products and services, other than those reported with respect to the other categories of service fees. The nature of the services was for translation services and non-audit/tax related fees.

The foregoing information is also set forth in AltaGas’ Annual Information Form for the year ended December 31, 2011, under the heading “AltaGas Ltd. - Directors and Officers - External Auditor Service Fees by Category”.

E&Y were the auditors of AltaGas Services Inc. from April 30, 1997 to April 30 2004, became the auditors of AltaGas Income Trust on May 1, 2004, the effective date of the plan of arrangement pursuant to which AltaGas Income Trust was created and acquired the business of AltaGas Services Inc. (the “Trust Arrangement”), and became the auditors of AltaGas on July 1, 2010, the effective date of the plan of arrangement pursuant to which AltaGas was created and acquired the business of AltaGas Income Trust (the “Corporate Arrangement”).

At the AltaGas 2011 Annual General Meeting, the voting results on the motion to appoint E&Y as auditors of AltaGas were 41,594,646 in favour, 1,343,342 withheld and zero non-votes. These results reflect only the 42,937,988 Shares voted by proxy and not the 1,099,407 Shares voted in person, as this motion was voted by show-of-hands and not by ballot.

Representatives of E&Y will be present at the Meeting and will have the opportunity to make a statement and to respond to appropriate questions.

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as set forth herein, AltaGas is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any current or nominee member of the board of directors or executive officer of AltaGas, respectively, at any time since the beginning of AltaGas’ last financial year, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon other than the election of directors or the appointment of auditors.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

AltaGas is not aware of any material interest, direct or indirect, of any informed person of AltaGas, any nominee director of AltaGas, or any associate or affiliate of any informed person or nominee director, in any transaction since the commencement of AltaGas’ most recently completed financial year, or in any proposed transaction, that has materially affected or would materially affect AltaGas or any of its subsidiaries.

For the purposes of this Information Circular, an “informed person” means, in the context of AltaGas, a director or executive officer of AltaGas or any subsidiary of AltaGas.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors of AltaGas are or were during the course of the financial year indebted to AltaGas for any purpose. No executive officers or employees of AltaGas or its subsidiaries are, or have been during the course of the financial year, indebted to AltaGas with respect to indebtedness entered into in connection with a purchase of securities of AltaGas or any of its subsidiaries. There is no indebtedness to any subsidiaries of AltaGas, and neither AltaGas nor any of its subsidiaries has issued any guarantees, support agreements, letters of credit or other similar arrangements to another entity in connection with indebtedness to that entity by any officer, director, employee or former officer, director or employee of AltaGas or any of its subsidiaries.

#### Aggregate Indebtedness

The table below shows the aggregate indebtedness to AltaGas of all executive officers, directors and employees, and former executive officers, directors and employees of AltaGas and its subsidiaries as at the Record Date.

AGGREGATE INDEBTEDNESS <sup>(1)</sup>		
Purpose	To AltaGas or its subsidiaries (\$)	To another entity (\$)
Share purchases	Nil	nil
Other	750,000	nil

Note:

- (1) These amounts exclude “routine indebtedness”, meaning any indebtedness described as follows: (i) if AltaGas or its subsidiaries makes loans to employees generally (A) the loans are made on terms no more favourable than the terms on which loans are made by AltaGas or its subsidiary to employees generally, and (B) the amount, at any time during the last completed financial year, remaining unpaid under the loans to the director, executive officer or proposed nominee, together with his or her associates, does not exceed \$50,000; (ii) a loan to a person or company who is a full-time employee of AltaGas (A) that is fully secured against the residence of the borrower, and (B) the amount of which in total does not exceed the annual salary of the borrower; (iii) if AltaGas or its subsidiary makes loans in the ordinary course of business, a loan made to a person or company other than a full-time employee of AltaGas (A) on substantially the same terms, including those as to interest rate and security as are available when a loan is made to other customers of AltaGas or its subsidiary with comparable credits, and (B) with no more than the usual risks of collectability; and (iv) a loan arising by reason of purchases made on usual trade terms or of ordinary travel or expense advances, or for similar reasons, if the repayment arrangements are in accord with usual commercial practice.

#### Indebtedness of Directors and Executive Officers under (1) Securities Purchase Programs, and (2) Other Programs

The table below shows each individual who is, or at any time during the most recently completed financial year was, a director or executive officer of AltaGas, each proposed nominee for election as a director of AltaGas, and each associate of any such director, executive officer or proposed nominee (a) who is, or at any time since the beginning of the most recently completed financial year of AltaGas has been, indebted to AltaGas or any of its subsidiaries, and (b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided AltaGas or any of its subsidiaries.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE PROGRAMS, AND (2) OTHER PROGRAMS <sup>(1)</sup>						
Name and Principal Position	Involvement of AltaGas or Subsidiary	Largest Amount Outstanding During 2011 Financial Year (\$)	Amount Outstanding as at the Record Date (\$)	Financially Assisted Securities Purchases During 2011 Financial Year (#)	Security for Indebtedness	Amount Forgiven During 2011 Financial Year (\$)
<b>Securities Purchase Programs</b>						
n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Other Programs</b>						
David M. Harris <sup>(2)</sup> President Power	Lender	750,000	750,000	nil	nil	nil

Notes:

- (1) These amounts exclude “routine indebtedness”, as that term is described in footnote (1) to the table above.
- (2) AltaGas and Mr. Harris agreed on June 2, 2010 to an employee loan in the principal amount of \$750,000, to be paid in full with accrued interest at the rate prescribed by the *Income Tax Act* (Canada) on the earlier of the date of termination of his employment and May 31, 2015.

## CORPORATE GOVERNANCE

### General

The board of directors is responsible for managing the business and affairs of AltaGas generally and believes that good governance improves performance and benefits all Shareholders. The board of directors is therefore committed to a high standard of governance.

AltaGas has structured its governance to comply with applicable legislation and policies, including National Instrument 52-110 – *Audit Committees* (“NI 52-110”), National Policy 58-201 - *Corporate Governance Guidelines* (“NP 58-201”), NI 58-101 and National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”). **Attached as Schedule A – Statement of Corporate Governance Practices is a description of AltaGas’ corporate governance practices with specific reference to NI 58-101 and NI 52-110.** The board of directors believes that AltaGas’ governance policies and practices are fully compliant with the requirements of NI 52-110, NI 58-101 and NI 52-109 and with the guidelines of NP 58-201. In addition, AltaGas stays abreast of legislative and other policy initiatives pertaining to corporate governance matters and proactively seeks to adjust its corporate governance to address such potential requirements.

The board of directors discharges its responsibilities directly and through its committees. At regularly scheduled meetings, the board of directors and management of AltaGas discuss the issues relevant to AltaGas’ strategy and business. Currently, the board of directors meets a minimum of six times per year and in 2011 met nine times, all of which included discussions at which the non-independent director and management were not in attendance. The nature of the business discussed and conducted by the board of directors at any particular meeting is dependent on the then-current state of AltaGas’ business and the opportunities and risks that AltaGas faces at that time. However, every regularly scheduled quarterly board of directors’ meeting includes a review of AltaGas’ consolidated financial and operational status and performance and a report from any committees that have met since the last board meeting. The board of directors also sets one meeting per year for a comprehensive review and approval of AltaGas’ budget and plan for AltaGas and its affiliates the following year, and has also established one meeting per year for a comprehensive review and approval of the overall strategic plan of AltaGas and its affiliates (which includes a management succession planning review and discussion).

Management’s responsibilities are clearly defined by the board of directors. This is accomplished by identifying the roles and responsibilities of the Chief Executive Officer and Chief Financial Officer of AltaGas and by defining the mandates of the board of directors and the committees thereof.

AltaGas has a Code of Business Ethics (“**COBE**”) that is applicable to the directors, officers, employees, contractors, consultants, representatives and agents of its operating subsidiaries (collectively, the “**Employees**”). The COBE, as an overall framework, sets out fundamental principles to guide the Employees, and encompasses a wide range of business practices and procedures. The COBE incorporates and acts as an umbrella policy to AltaGas’ various specific policies. New Employees must certify their review of, and agreement to be bound by, the COBE, and Employees must re-certify annually. Refer to Schedule A attached hereto for additional information with respect to the COBE.

### **Directors and Officers Liability Insurance**

Directors’ and officers’ insurance has been obtained for the board of directors and officers of AltaGas and its subsidiaries with a policy limit of \$80,000,000 aggregate per policy year. Under this insurance coverage, AltaGas would be reimbursed for indemnity payments made on behalf of the board of directors and officers of AltaGas subject to a deductible of \$500,000 per occurrence, which would be paid by AltaGas. The total premium paid by AltaGas for directors’ and officers’ liability insurance during the financial year ended December 31, 2011 was \$253,995.

### **Board Committees**

The board of directors has established four committees: the Audit Committee, the Governance Committee, the Environment, Occupational Health and Safety Committee and the Human Resources and Compensation Committee. All of the members of the Audit Committee, the Governance Committee and the Human Resources and Compensation Committee are “independent” directors, within the meaning of NI 52-110. In addition, a majority of members of the Environment, Occupational Health and Safety Committee are independent directors. The members of the committees are as follows:

<b>Audit Committee</b>	<b>Environment, Occupational Health and Safety Committee</b>	<b>Governance Committee</b>	<b>Human Resources and Compensation Committee</b>
Catherine M. Best	David W. Cornhill	Robert B. Hodgins	Hugh A. Fergusson
Allan L. Edgeworth	Allan L. Edgeworth (chair)	Myron F. Kanik (chair)	Daryl H. Gilbert (chair)
Hugh A. Fergusson	M. Neil McCrank	David F. Mackie	Myron F. Kanik
Daryl H. Gilbert		M. Neil McCrank	David F. Mackie
Robert B. Hodgins (chair)			

#### ***Audit Committee***

The board of directors has developed written terms of reference outlining the Audit Committee’s roles and responsibilities and provides appropriate guidance to Audit Committee members as to their duties. These terms of reference are reviewed annually by the board of directors. The Audit Committee assesses the adequacy of procedures for the public disclosure of financial information. The Audit Committee reviews on behalf of the board of directors, and reports to the board of directors the results of its review and its recommendation regarding, all material matters of a financial reporting and audit nature, including without limitation the annual and interim financial statements, Management’s Discussion and Analysis, related press releases of AltaGas and internal controls. The Audit Committee reviews the nature and scope of the annual audit as proposed by the auditors and management. The Audit Committee is responsible for ensuring that management has established and is maintaining disclosure controls and procedures and internal control over financial reporting.

The Audit Committee meets with AltaGas’ auditors regularly, independent of management, and has direct communication channels with AltaGas’ external and internal auditors to discuss and review specific issues as appropriate.

Further information in respect of the Audit Committee and its members and mandate is contained under the heading “*AltaGas Ltd. – Directors and Officers*” in, and is attached as Schedule “A” to, AltaGas’ Annual

Information Form for the year ended December 31, 2011. The Annual Information Form is available under AltaGas' profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Audit Committee currently consists of Catherine M. Best, Allan L. Edgeworth, Hugh A. Fergusson, Daryl H. Gilbert and Robert B. Hodgins, all of whom are independent directors. Robert B. Hodgins is the chair of the Audit Committee.

#### ***Governance Committee***

The Governance Committee is responsible for the development of the overall governance of AltaGas and its affiliates; a continuing assessment of corporate governance matters; making recommendations to the board of directors regarding AltaGas' approach to corporate governance; and recommending individuals for nomination for election to the board of directors. See Schedule A attached hereto for a further discussion on nomination.

The Governance Committee currently consists of Robert B. Hodgins, Myron F. Kanik, David F. Mackie and M. Neil McCrank, all of whom are independent directors. Myron F. Kanik is the chair of the committee and the Lead Director.

#### ***Environment, Occupational Health and Safety Committee***

The Environment, Occupational Health and Safety Committee monitors and makes recommendations to the board of directors with respect to the environment, health and safety policies, practices and procedures of AltaGas' affiliates, including AltaGas and its subsidiaries. The committee has established an environmental risk management system and monitors its operation through regular reports.

The Environment, Occupational Health and Safety Committee currently consists of David W. Cornhill, Allan L. Edgeworth and M. Neil McCrank, of whom Messrs. Edgeworth and McCrank are independent directors. Allan L. Edgeworth is the chair of the committee.

#### ***Human Resources and Compensation Committee***

The mandate of the Human Resources and Compensation Committee (the "**HR Committee**") includes developing appropriate compensation policies for the senior management of AltaGas, evaluating senior management performance and succession planning. These responsibilities include reporting and making recommendations as to remuneration to the board of directors for their consideration and approval. Following review of data and discussion by members of the HR Committee, recommendations are made by the HR Committee to the board of directors for their consideration and approval. In all cases, the board of directors has acted upon HR Committee recommendations without modification in any material way.

The HR Committee's succession planning process involves a detailed, documented process for identifying and developing successors from AltaGas' most talented individuals for the CEO, senior management and other positions deemed critical for AltaGas' success. The CEO reviews with the HR Committee the internal talent pool considered for these positions. A succession planning discussion is an agenda item at each regular HR Committee meeting.

The HR Committee meets at least quarterly to fulfill its mandate. The HR Committee currently consists of Hugh A. Fergusson, Daryl H. Gilbert, Myron F. Kanik and David F. Mackie, all of whom are independent directors. Daryl H. Gilbert is the chair of the committee. All members of the HR Committee have been senior leaders in various organizations, and in those capacities obtained direct experience relevant to executive compensation, and have the skills and experience that enable the HR Committee to make decisions on the suitability of AltaGas' compensation policies and practices. None of the members of the committee was an officer or employee of AltaGas or any of its subsidiaries in the most recently completed financial year; was formerly an officer of AltaGas or any of its subsidiaries; or had or has any relationship that requires disclosure under the headings "*Indebtedness of Directors and Executive Officers*" or "*Interest of Informed Persons in Material Transactions*" in this Information Circular; was an executive officer of AltaGas and also served as a member of the compensation committee (or equivalent) of another issuer, one of whose executive officers served on the HR Committee; was an executive officer of AltaGas and also served as a director of another issuer, one of whose executive officers served on the HR Committee; or was an executive officer of AltaGas and also served as a member of the compensation committee (or equivalent) of another issuer, one of whose executive officers served as a director of AltaGas.

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Policy

The philosophy of the board of directors is that if AltaGas does well, the employees of AltaGas will be rewarded through cash bonuses, increases in long-term variable compensation, such as Share Options and Mid Term Incentive Plan (“**MTIP**”) incentive awards, additional long-term variable compensation awards or combinations of any or all of the foregoing.

The goal of the HR Committee (see the immediately preceding discussion of the HR Committee) in making compensation recommendations is to recognize and reward individual performance as well as to provide a competitive industry level of compensation, taking into consideration the individual’s experience and performance and the financial performance of AltaGas. The HR Committee views total compensation as a linked strategy towards achieving overall performance targets and has designed a total compensation package of short-term and long-term compensation with fixed and variable compensation components. Currently the compensation program for employees of AltaGas consists of salary, benefits and the Short Term Incentive Plan by way of short-term compensation; and the Share Option Plan, the MTIP, the Employee Share Purchase Savings Plan, the Group RRSP, the Defined Contribution Pension Plan and the Supplemental Executive Retirement Plan by way of long-term compensation. The mix of compensation elements is reviewed annually by the HR Committee. Each of these components is discussed in greater detail below.

AltaGas emphasizes fair annual fixed and variable compensation to provide an immediate incentive for short-term performance. Some emphasis is also placed on longer-term compensation, the focus of which is longer-term commitment by AltaGas’ officers and employees.

For most positions, AltaGas’ human resources department reviews industry compensation information provided by consultants and compares AltaGas’ compensation with those of comparably-sized organizations. A summary of information is provided to the HR Committee annually to assist in approving AltaGas’ overall compensation policy and the compensation to be paid. With respect to officers, AltaGas engages the services of Mercer (Canada) Limited (“**Mercer**”) (a wholly-owned subsidiary of Marsh & McLennan Companies, Inc.) to provide specific support in the development of a peer group to review officer compensation relative to benchmark data on base salaries, total cash compensation and total direct compensation. A comparator group of peer companies was initially developed in 2001 based on those industry compensation survey participants whose revenues and assets were within 50 percent and 200 percent of those of AltaGas. The peer group composition is reviewed annually to ensure that it continues to provide a reasonable basis for comparison. Peer benchmark organizations have been chosen due to close similarities of their business to AltaGas and due to AltaGas’ direct competition for employee talent with these organizations. AltaGas targets median compensation of this peer group. AltaGas’ comparator group for 2011, which meets the foregoing criteria, is as follows:

Alliance Pipeline Ltd.	Enerplus Corporation	Pengrowth Corporation
Alberta Electric System Operator	ENMAX Corporation	Penn West Petroleum Ltd.
Apache Canada Ltd.	EOG Resources Canada Inc.	Petrobank Energy and Resources Ltd.
ARC Resources Ltd.	EPCOR Utilities Inc.	Precision Drilling Corporation
ATCO Group	FortisBC Energy Inc.	Provident Energy Ltd.
Baytex Energy Corp.	Gibson Energy Ltd.	SaskEnergy Incorporated
Bonavista Energy Corporation	Harvest Operations Corp.	Saskatchewan Power Corporation
Capital Power Corporation	Inter Pipeline Fund (general partner: Pipeline Management Inc.)	Spectra Energy Transmission
CCS Corporation Ltd.	Keyera Energy Management Ltd.	Statoil Canada Ltd.
Chevron Canada Resources	Kinder Morgan Canada Inc.	TAQA North Ltd.
ConocoPhillips Canada	MEG Energy Corp.	Toronto Hydro Corporation

Crescent Point Energy Corp.	Murphy Oil Company Ltd.	TransAlta Corporation
Daylight Energy Ltd.	NAL Resources Management Limited	TransCanada Corporation
Devon Canada Corporation	Nova Scotia Power Inc.	Trinidad Drilling Ltd.
Enbridge Inc.	Pembina Pipeline Corporation	Vermilion Energy Inc.

The HR Committee also periodically independently retains external consultants to review other compensation matters.

AltaGas originally retained Mercer in 2001. AltaGas engaged Mercer during the most recently completed fiscal year to provide specific support to it and the board of directors in determining compensation for AltaGas' officers. This support consisted of (i) the provision of general market observations with respect to market trends and issues, and (ii) the provision of benchmark data. In addition to this mandate, Mercer (through a different line of business) provides other services, including general employee compensation or benefits consulting services to AltaGas.

AltaGas paid Mercer the following fees in 2011 and 2010:

	2011	2010
Executive Compensation – Related Fees: services related to determining compensation for any of AltaGas' directors and executive officers.	\$30,344	\$52,162
All Other Fees (in 2011 and 2010 other fees consisted of general employee compensation and benefits consulting services)	\$91,189	\$222,147

### Compensation Objectives

The compensation philosophy of AltaGas, broadly speaking, emphasizes linking the performance of AltaGas, its divisions and its individual employees to individual compensation. The following objectives of AltaGas' compensation programs attempt to fulfill that overarching policy:

1. attract and retain highly qualified and engaged employees and senior management team members;
2. align executive interests with those of our Shareholders;
3. offer competitive total compensation at approximately the median among those holding similar positions in comparably-sized organizations in the Canadian energy industry, assuming performance goals are met; and
4. recognize and reward employees and executives through pay-for-performance.

The compensation program provides for base salaries, total cash and total direct compensation that are designed to achieve the above objectives.

#### *Named Executive Officer Compensation Objectives*

The objective of the HR Committee with respect to compensation for the Named Executive Officers is to set their base salary, total cash compensation (which includes short term-incentives) and total direct compensation (which includes long-term incentives) at approximately the median among the aforementioned comparator group of public companies in the Canadian energy industry of comparable size and complexity. Individual targets may vary by individual to reflect the level of individual experience and performance and the financial performance of AltaGas. For instance, when corporate and individual performance have significantly exceeded targets, total direct compensation may be at the 75<sup>th</sup> percentile or higher of the comparator group.

The HR Committee considers, among other things, data from industry compensation surveys and the overall performance of AltaGas, including return on equity, net income per share, successful acquisitions, and the successful implementation of AltaGas' strategy, including the optimization of AltaGas' existing infrastructure and operations to maximize Shareholder value, and the acquisition and building of energy infrastructure assets with long economic lives that provide long term cash flows and solid returns.

The Named Executive Officers do not vote and are excused from board of directors and Committee meetings with respect to compensation matters affecting them.

### Compensation Mix

The compensation program for employees of AltaGas consists of the following elements:

Element	Entitlement	Component	Performance Period	Form
Annual Salary and Benefits	All regular employees	Fixed	One year	Cash
Short Term Incentive Plan	All regular employees	Variable	One year	Cash
Long Term Incentives				
• Mid Term Incentive Plan	Discretion of board of directors	Variable	Up to three years	Cash or Shares
• Share Option Plan	Discretion of board of directors	Variable	Up to ten years	Shares
• Employee Share Purchase Savings Plan	All regular employees	Fixed and Variable	Discretion of employee	Cash and Shares
• Defined Contribution Pension Plan	All regular employees	Fixed	Ongoing	Cash
• Supplemental Executive Retirement Plan	Discretion of board of directors	Fixed	Ongoing	Cash



AltaGas targets the following mix of compensation elements for the Named Executive Officers:

<b>Name and Principal Position</b>	<b>Base Salary and benefits<sup>(1)</sup> (%)</b>	<b>Short Term Incentive Plan (%)</b>	<b>Long Term Incentives<sup>(2)</sup> (%)</b>	<b>Total (%)</b>	<b>Pay at Risk<sup>(3)</sup> (%)</b>
David W. Cornhill <sup>(4)</sup> Chairman of the Board and Chief Executive Officer	30	20	50	100	70
Deborah S. Stein Senior Vice President Finance and Chief Financial Officer	45	20	35	100	55
David M. Harris President Power	40	20	40	100	60
Randy W. Toone Co-President Gas	40	20	40	100	60
Patricia M. Newson Senior Vice President	35	20	45	100	65

Notes:

- (1) Includes perquisites and  $\frac{2}{3}$  of Employee Share Purchase Savings Plan.
- (2) Includes MTIP, Share Option Plan,  $\frac{1}{3}$  of Employee Share Purchase Savings Plan, DC Plan, any employer-paid contributions to the GRRSP, and SERP.
- (3) Pay at risk includes Short Term Incentive Plan, MTIP, Share Option Plan and  $\frac{1}{3}$  of Employee Share Purchase Savings Plan.
- (4) Mr. Cornhill does not participate in the DC Plan. See discussion below under “*Retirement Plan Benefits – Group RRSP*”.

The various compensation elements are discussed in more detail below.

### ***Annual Salary***

Annual salary is intended to provide a competitive rate of compensation and recognize the skills, competencies and level of responsibility of employees. Generally, the HR Committee targets base salaries at levels approximating those holding similar positions in comparably-sized organizations in the industry (as outlined above in the discussion of Compensation Policy) and hopes to achieve targeted total compensation levels through other fixed and variable compensation components.

### ***Short Term Incentive Plan***

AltaGas has a Short Term Incentive Plan for permanently employed executive officers and employees of AltaGas to provide annual cash bonuses following the fiscal year end.

In order to reward individual performance, eligibility for compensation under the Short Term Incentive Plan is linked to individual, team and AltaGas’ performance. The more senior the position in the organization, the greater the target bonus level and the weighting towards AltaGas performance measures. Team and individual performance for each employee are assessed annually against objectives set at the beginning of each year. Team performance objective weightings were adjusted in 2011 to align with those employees directly accountable for results in a respective business division.

Gas and Power division performance is measured based on consolidated financial results weighted 50 percent on Return on Investment (“**ROI**”) and 50 percent on Operating Income (“**OI**”) against a pre-determined target for each business division set at the beginning of the year. Division performance indicators under the Short Term Incentive Plan in respect of 2011 for the Gas and Power divisions were ROI of 8.55 percent and 20.77 percent respectively, and OI of \$110.8 million and \$65.0 million respectively. Utility division performance is measured based on consolidated financial results weighted 50 percent on return on equity (“**ROE**”) and 50 percent on net income (“**NI**”). Division performance indicators under the Short Term Incentive Plan in respect of 2011 for the Utility division were ROE of 9.66 percent and NI of \$15.56 million. The Gas division achieved a “Met” for both measures (attracting a multiplier of 1.0), the Power division achieved an “Exceptional” rating for both measures

(attracting a multiplier of 2.0) and the Utility division achieved a “Met” for both measures (attracting a multiplier of 1.0). Individual performance objectives include pre-determined individual targets.

AltaGas’ corporate performance is measured based on consolidated financial results weighted 50 percent on ROE and 50 percent on net income per Share (“NIPS”) against a pre-determined target for each set at the beginning of each year. AltaGas performance indicators under the Short Term Incentive Plan in respect of the 2011 year were ROE of 8.90 percent and NIPS of \$1.08, and AltaGas achieved in 2011 an ROE of 8.64 percent and NIPS of \$1.07. As a result, the portion of the Named Executive Officers’ bonus attributable to AltaGas corporate performance attracted a multiplier of 1.0.

ROI, OI, ROE, and NIPS are measures that do not have a standardized meaning prescribed by Generally Accepted Accounting Principles. ROI is calculated using operating income against the 13 month average net book value. OI is calculated from the consolidated statement of income using net income and adjusted for pre-tax unrealized gains (losses) on risk management contracts, interest expense, foreign exchange gains (losses), income tax recovery (expense) and preferred share dividend (net of tax). ROE is calculated from the consolidated statement of net income using net income applicable to common shares adjusted for after-tax unrealized gains or losses on risk management contracts against a 13 month average shareholder’s equity applicable to common shares. NIPS is calculated from the consolidated statement of income using net income applicable to common shares adjusted for after-tax unrealized gains or losses on risk management contracts against the basic weighted average shares outstanding.

Generally, the HR Committee targets short term incentives at levels approximating those holding similar positions in comparably-sized organizations in the industry (as outlined above in the discussion of Compensation Policy). No awards are made to any executive officers or employees under the Short Term Incentive Plan in cases where those executive officers or employees did not meet the objectives applicable to them.

Payments are made pursuant to the Short Term Incentive Plan on March 31 of the following year if the employee is employed by AltaGas at that time.

In 2011, the Short Term Incentive Plan was structured, and paid, as follows for the Named Executive Officers:

Name and Principal Position	Corporate Weighting <sup>(1)</sup> (%)	Division Weighting <sup>(2)</sup> (%)	Individual Weighting <sup>(3)</sup> (%)	Min <sup>(4)</sup> (%)	Target <sup>(4)</sup> (%)	Max <sup>(4)</sup> (%)	Corporate Weighting <sup>(1)</sup> Multiplier for 2011 Results (%)	Division Weighting <sup>(2)</sup> Multiplier for 2011 Results (%)	Individual Weighting <sup>(3)</sup> Multiplier for 2011 Results (%)	Combined Weighting Multiplier for 2011 Results (%)	Result for 2011 <sup>(4)</sup> (%)
David W. Cornhill Chairman of the Board and Chief Executive Officer	70	0	30	0	60	120	100	n/a	194	128	77
Deborah S. Stein Senior Vice President Finance and Chief Financial Officer	50	0	50	0	40	80	100	n/a	175	138	55
David M. Harris President Power	25	50	25	0	40	80	100	200	200	175	70
Randy W. Toone Co-President Gas	25	50	25	0	40	80	100	100	175	119	48
Patricia M. Newson <sup>(5)</sup> Senior Vice President	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	60

Notes:

- (1) Weighting reflects ROE and NIPS performance measures.
- (2) Weighting reflects ROI and OI performance measures for Gas and Power divisions, and ROE and NI performance measures for Utility division.

- (3) Weighting reflects individual performance measures.
- (4) As a percentage of base salary paid during the year.
- (5) Ms. Newson's Short Term Incentive Plan benefit is not structured in the same manner as the other Named Executive Officers. Please see the discussion below with respect to the executive employment agreement with Ms. Newson.

### ***Long-Term Incentives***

#### **Mid Term Incentive Plan**

AltaGas has adopted the MTIP for directors, officers and employees as an additional form of long-term variable compensation incentive. The purpose of the MTIP is to link a portion of the at-risk compensation to the achievement of both AltaGas' performance targets and individual performance targets, and to thereby promote the attraction, motivation and retention of highly qualified individuals.

The incentive bonus compensation contemplated under the MTIP will be granted in the form of both RUs and PUs. Unless otherwise determined by the HR Committee, the RUs will vest as to one-third per year over a three-year period commencing with the year of grant, contingent upon AltaGas achieving a threshold level of performance during each year of the vesting period. The PUs will vest at the end of a three-year period commencing with the year of grant, contingent upon AltaGas achieving a threshold level of performance during the three-year vesting period.

The HR Committee will determine in its sole discretion the appropriate performance vesting criteria for the purpose of the RU and PU aspects of the MTIP. Factors considered in granting RUs and PUs include the extent to which individual performance targets are achieved, the level of RUs and PUs granted to similarly placed and qualified individuals in AltaGas, and the affordability of the grants having regard to AltaGas' budget.

The MTIP functions as follows:

- (a) the board of directors approves individual grants under the MTIP that are a function of the extent to which individual performance targets were achieved and the level of total compensation provided to similarly placed and qualified individuals in AltaGas and comparable-sized entities (as outlined above in the discussion of Compensation Policy);
- (b) following the determination of an individual's grant, the cash value of the grant is converted to phantom whole units (either RUs or PUs at the discretion of the board of directors) equal to the number of whole Shares that such individual's grant would have been able to acquire at the date of grant, based on the fair market value ("FMV") of the Shares. For that purpose, the FMV of the Shares is equal to the average of the closing prices of the Shares on the TSX (or if the Shares are not then listed on the TSX then such other exchange upon which the Shares are listed) for the immediately preceding 20 trading days prior to the date of grant;
- (c) the RUs and PUs are tracked during the applicable vesting period and dividends on a Share during that period are deemed to be paid on the dates of dividends on each PU and RU and reinvested to acquire more phantom whole units and accrue to the benefit of that individual in the accounts maintained for that individual, to be paid to the individual if and to the extent vesting occurs; and
- (d) upon the vesting of RUs or PUs, and contingent upon the applicable performance criteria being achieved, AltaGas has the option to pay out the FMV of the RUs or PUs (including the additional shares acquired on reinvestment of the accrued dividends in respect thereof), as the case may be, in cash or in Shares equivalent in value acquired by the plan administrator in the open market.

#### **Share Option Plan**

AltaGas adopted the Share Option Plan as a continuing form of long-term variable compensation incentive for directors, officers, employees, consultants and other personnel of AltaGas and any of its subsidiaries, including AltaGas. The quantum and granting of Share Options is related to individual performance, the availability of Share Options to grant and the level of Share Options granted to similarly placed and qualified individuals in AltaGas and to those holding similar positions in comparably-sized organizations in the industry (as outlined above in the discussion of Compensation Policy). The HR Committee is aware of existing Share Options held by executive officers. Share Options are used as an incentive to attract, retain and motivate a highly qualified staff for the short,

medium and long term success of AltaGas. Factors considered in granting new Share Options include the extent to which individual performance targets were achieved, and the affordability of the grants. The HR Committee recommends Share Option grants to the board of directors based on the aforementioned criteria. No officers vote on these recommendations or are present at board of directors or HR Committee meetings with respect to compensation matters affecting them.

The material provisions of AltaGas' current Share Option Plan are:

- the maximum number of authorized but unissued Shares that may be issued on the exercise of Share Options granted under the Share Option Plan, together with Shares that may be issuable pursuant to other security-based compensation arrangements, at any time shall not exceed 10 percent of the aggregate of the outstanding Shares, or such greater number of Shares as may be determined by the board of directors and approved, if required, by the Shareholders and by the Toronto Stock Exchange (“**TSX**” or the “**Exchange**”), not exceeding the maximum number of Shares permitted under the rules of the TSX;
- the number of Shares reserved for issuance pursuant to Share Options granted to insiders of AltaGas will not exceed 10 percent of the issued and outstanding Shares;
- the number of Shares that may be issued to insiders pursuant to the Share Option Plan and all of AltaGas' other securities compensation arrangements within a one-year period will not exceed 10 percent of the outstanding Shares and the number of Shares that may be issued to an individual insider and that insider's associates pursuant to the Share Option Plan and all of AltaGas' other securities compensation arrangements within a one-year period will not exceed 5 percent of the outstanding Shares;
- no Share Option may be granted to non-employee directors of AltaGas if the granting of such Share Option could result, at any time, in the issuance to such persons (as a group) of a number of Shares exceeding 1% of the number of Shares then issued and outstanding immediately prior to such issuance;
- within any one fiscal year, the total value of Share Options granted to a non-employee director, as determined by the board of directors on the grant date of Share Options to the non-employee director using the Black-Scholes-Merton valuation model, shall not exceed \$100,000;
- written agreements will be entered into between AltaGas and each optionee to whom a Share Option is granted (a “**Share Option Agreement**”) which will set out the number of Shares subject to option, the exercise price, vesting dates and conditions, the exercise period and any other terms and conditions approved by the board of directors, all in accordance with the provisions of the Share Option Plan;
- the exercise period during which an optionee may exercise a Share Option (subject to applicable vesting limitations which may be imposed by the board of directors) commences on the date that Share Option is granted to that optionee and ends no later than the date 10 years thereafter;
- the exercise price for a Share Option shall be as determined by the board of directors, subject to any limitations imposed by the TSX, and in any event shall be an amount at least equal to the closing price of the Shares on the TSX on the trading day immediately preceding the date of grant of the Share Option;
- no right or interest of any optionee in or under the Share Option Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution or if so provided in the Share Option Agreement with the optionee, subject to the requirements of, or as otherwise allowed by, the TSX. Any such right or interest shall be exercisable during the lifetime of an optionee only by that optionee or his legal representatives or after the death of an optionee or on the optionee ceasing to be a director, officer, employee, consultant or other personnel of AltaGas or an affiliate of AltaGas, only as specified in the Share Option Agreement with the optionee;
- includes a provision to accelerate the vesting of Share Options upon a take-over or change of control;
- the Share Option Plan contains standard anti-dilution provisions in respect of Shares issued on exercise of Share Options;

- subject to the following exceptions and subject to those provisions of applicable law, if any, that require the approval of Shareholders or any governmental or regulatory body (including, without limitation, the TSX), the board of directors may amend, suspend or terminate the Share Option Plan, or any portion thereof or any Share Option, at any time, and may do so without Shareholder approval, including without limiting the generality of the foregoing in respect of the following:
  - amendments of a "housekeeping" or ministerial nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the Share Option Plan or to correct or supplement any provision of the Share Option Plan that is inconsistent with any other provision of the Share Option Plan;
  - amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX and the provisions of any applicable tax law);
  - amendments respecting the administration of the Share Option Plan;
  - any amendment to the early termination provisions of the Share Option Plan or any grant, provided such amendment does not entail extension beyond the original option period; and
  - amendments necessary to suspend or terminate the Share Option Plan.

Shareholder approval will be required for the following types of amendments:

- any increase in (A) the number of Shares that may be issued on the exercise of Share Options granted pursuant to the Share Option Plan, if the Share Option Plan provides for a fixed number of Share Options reserved for issuance, and (B) the percentage amount of Shares that may be issued on the exercise of Share Options granted pursuant to the Share Option Plan, if the Share Option Plan provides for a percentage amount of Shares reserved for issuance;
- any amendment which reduces the option price of a Share Option;
- any cancellation and reissuance of a Share Option;
- any amendment extending the term of a Share Option beyond its original option period;
- any amendment that increases limits imposed on non-employee director participation in the Share Option Plan;
- any amendment which would permit Share Options to be transferable or assignable, other than for normal estate settlement purposes;
- amendments to the amendment and termination provisions of the Share Option Plan; and
- amendments required to be approved by Shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

The HR Committee or the Governance Committee may recommend to the board of directors amendments to the Share Option Plan.

#### Employee Share Purchase Savings Plan

The Employee Share Purchase Savings Plan was implemented by AltaGas in 2000 to encourage equity ownership by employees, as a long-term incentive and to ensure AltaGas' compensation was competitive in the energy industry. All regular employees of AltaGas are eligible to participate.

Employees can contribute up to 10 percent of their base pay into the savings plan. AltaGas will match employee contributions up to a maximum of 2.5 percent of base pay for those employees with up to three years of service; 3.75 percent of base pay for those employees with three to six years of service; and 5 percent of base pay for those employees with more than six years of service. Employee contributions can be invested in Shares, a

short-term investment fund or a combination of such investments. AltaGas' contributions are invested in Shares. Shares are acquired by the plan from the public market (excepting any Shares attributable to the plan's participation in AltaGas' Dividend Reinvestment Plan, any such Shares being issued from AltaGas treasury).

### Managing Compensation Risk

The board of directors and the HR Committee have not formally considered the implications of the risks associated with AltaGas' compensation policies and practices. However, AltaGas' compensation policies and practices encourage behaviours which align with the long-term interests of AltaGas and its shareholders. While AltaGas' program and practices are not structured to reward excessive risk taking, AltaGas recognizes that some level of risk taking is necessary to achieve outcomes that are in shareholders' best interests. AltaGas has a number of mitigating strategies to limit risks including:

- A significant weighting on long-term incentives mitigates the risk of encouraging achievement of short-term goals at the expense of long-term sustainability and shareholder value.
- The nature of the primary financial measures used in bonus pool determination (ROI, OI, ROE, NI and NIPS) ensures AltaGas will have the ability to pay bonuses required under the program.
- The bonus pool is capped at 200% of target. Individual awards range from 0% to a maximum of 140% of salary.
- The HR Committee and the board can use discretion in assessing both individual named executive and overall AltaGas performance ensuring bonus payouts are not overly influenced by an unusual result in any one given area.

### Financial Instruments

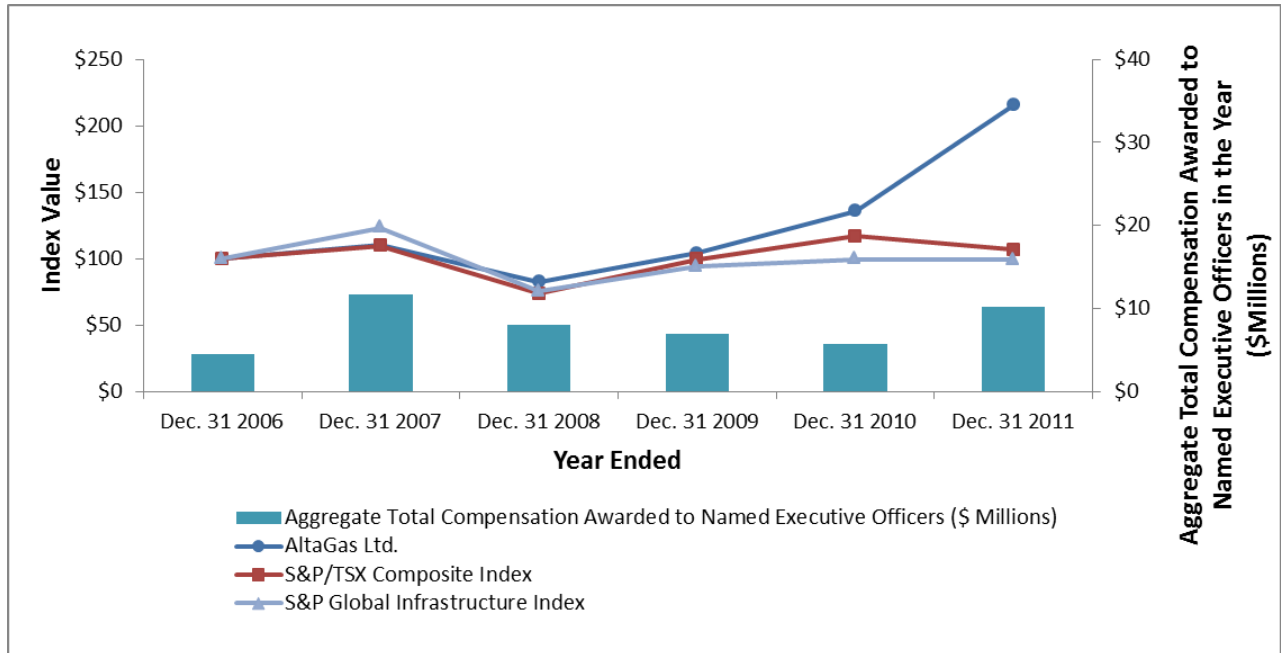
AltaGas has not placed a restriction on the purchase by its Named Executive Officers or other employees of financial instruments (including prepaid variable forward contracts, equity swaps, collars or units of exchange funds) that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or employee. **To AltaGas' knowledge, none of the Named Executive Officers have purchased any such financial instruments.**

### PERFORMANCE GRAPH

The common shares of AltaGas Services Inc. were listed on the TSX on January 17, 2000. On May 1, 2004, trust units of AltaGas Income Trust were listed on the TSX in substitution for the common shares of AltaGas Services Inc. following the Trust Arrangement. On July 1, 2010, the Shares were listed on the TSX in substitution for the trust units of AltaGas Income Trust following the Corporate Arrangement, and are included in the S&P/TSX Composite, S&P Global Infrastructure and S&P/TSX Composite Dividend indices.

The following table and graph compare the yearly percentage change in the cumulative Shareholder return over the last five years on the trust units of AltaGas Income Trust and the Shares, respectively (assuming a \$100 investment was made on December 31, 2006), with the cumulative total return of the S&P/TSX Composite Index and the S&P Global Infrastructure Index. The values assume the reinvestment of any declared dividends or distributions. The S&P/TSX Composite Dividend Index was created in 2010, and accordingly the return on the Shares cannot currently be compared to this index over a five year period. The table and graph also show the trend in total compensation paid to the Named Executive Officers each year over the same period.

	Dec. 31 2006	Dec. 31 2007	Dec. 31 2008	Dec. 31 2009	Dec. 31 2010	Dec. 31 2011
<b>AltaGas Ltd. and AltaGas Income Trust</b>	100	110	82	104	136	216
<b>S&amp;P/TSX Composite Index</b>	100	110	74	99	117	107
<b>S&amp;P Global Infrastructure Index</b>	100	123	75	94	100	99
<b>Aggregate Total Compensation Awarded to Named Executive Officers in the Year (\$ millions)</b>	4.46	11.63	8.01	6.99	5.73	10.23



Compensation of the Named Executive Officers over the five year period represented by the foregoing table and graph generally reflects continuous growth in key financial metrics like NIPS and ROE. Any decline in the trading price of Shares has a direct impact on current and future compensation value from long term incentives pursuant to the Share Option Plan, MTIP and the Employee Share Purchase Savings Plan.

#### SUMMARY COMPENSATION TABLE

The following table and discussion relates to compensation paid to AltaGas' executive officers. As described above under "*Compensation Discussion and Analysis*", compensation of AltaGas' executive officers, as with all of AltaGas' employees, includes short-term and long-term compensation with fixed and variable components designed to recognize and reward individual performance and provide an industry-competitive level of compensation.

For the purposes of this section, and the discussion under "*Compensation Discussion and Analysis*", "executive officer" means the chair and any vice-chair of the board of directors; the president; any vice president in charge of a principal business unit, division or function such as sales, finance or production; any other person who performed a policy-making function in respect of AltaGas. A "Named Executive Officer" means, collectively:

- (a) the Chief Executive Officer ("CEO") of AltaGas;
- (b) the Chief Financial Officer ("CFO") of AltaGas;
- (c) the three most highly compensated executive officers of AltaGas or its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at December 31, 2011 and whose individual total compensation was more than \$150,000 for that financial year; and
- (d) each individual for whom disclosure would have been provided under (c) but for the fact that the individual was neither an executive officer of AltaGas or its subsidiaries, nor acting in a similar capacity, at December 31, 2011.

The following table sets forth information concerning the compensation paid by AltaGas to its Named Executive Officers for the years ended December 31, 2011, December 31, 2010 and December 31, 2009.

Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Share-based Awards <sup>(2)</sup> (\$)	Option-based Awards <sup>(3)</sup> (\$)	Non-equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$) <sup>(5)</sup>	Total Compensation (\$)
					Annual Incentive Plans <sup>(4)</sup> (\$)	Long-term Incentive Plans (\$)			
David W. Cornhill <sup>(6)(7)</sup> Chairman of the Board and Chief Executive Officer	2011	650,000	nil	1,246,300	500,000	nil	275,157	68,802	2,740,259
	2010	630,375	nil	794,150	255,000	nil	236,446	66,730	1,982,701
	2009	615,000	634,200	131,250	440,000	nil	263,930	65,745	2,150,125
Deborah S. Stein Senior Vice President Finance and Chief Financial Officer	2011	271,039	nil	257,065	149,071	nil	101,379	18,513	797,067
	2010	256,875	40,944	113,450	87,337	nil	100,084	15,107	613,798
	2009	250,000	213,500	7,875	115,000	nil	76,065	14,850	677,290
David M. Harris President Power	2011	321,500	1,377,600	407,140	225,049	nil	81,481	11,129	2,423,899
	2010	182,556	501,960	78,425	63,894	nil	36,047	27,952	890,836
	2009	n/a	n/a	n/a	n/a	nil	n/a	n/a	n/a
Randy W. Toone <sup>(7)</sup> Co-President Gas	2011	254,127	nil	226,600	120,710	nil	15,247	17,705	634,389
	2010	224,700	102,360	113,450	43,816	nil	13,482	13,944	511,752
	2009	214,000	320,250	7,875	78,645	nil	12,840	10,467	644,077
Patricia M. Newson <sup>(7)</sup> Senior Vice President	2011	365,019	nil	nil	219,011	nil	128,781	2,723,353	3,436,164
	2010	355,249	nil	113,450	397,524	nil	534,149	22,715	1,423,090
	2009	79,589	158,700	25,950	93,358	n/a	3,762	5,224	366,583

## Notes:

- (1) See discussion of the MTIP and the Share Option Plan in more detail above under “*Compensation Discussion and Analysis – Compensation Mix – Long Term Incentives*”, and refer to “*Incentive Plan Awards*” below for additional information on awards granted in the year ended December 31, 2011.
- (2) Grant date fair value for RUs and PUs is estimated using a Black-Scholes-Merton valuation model, modified to reflect the accumulation of additional Shares with distributions, which requires the following inputs: market price on the grant date; expected life of the RU or PU; risk-free interest rate (current rate of a zero coupon Canada government bond with a remaining term equal to the expected life of the RU or PU); Share price (and prior to July 1, 2010, trust unit price) volatility (measured from May 3, 2004 to grant date); and dividend rate (annualized dividend rate based on current dividend and market price). It is also assumed with respect to PUs that the performance criteria are met, without application of a multiplier. Accounting fair value of RUs and PUs as at the grant date is nil, as the expense is accrued during the vesting period. AltaGas uses the Black-Scholes-Merton valuation model because it is the most widely used valuation method for this type of compensation, and should thus be the most comparable and most understood model.
- (3) Grant date fair value for Share Options is estimated using a Black-Scholes-Merton valuation model, which requires the following inputs: strike price (equal to the market price on the trading day prior to the grant date); expected life of the option; risk-free interest rate (current rate of a zero coupon Canada government bond with a remaining term equal to the expected life of the options); Share price (and prior to July 1, 2010, trust unit price) volatility (measured from May 3, 2004 to grant date); and dividend rate (annualized dividend rate based on current dividend and strike price). The grant date fair value of Share Options is not different from the accounting fair value at the grant date. AltaGas uses the Black-Scholes-Merton valuation model because it is the most widely used valuation method for this type of compensation, and should thus be the most comparable and most understood model.
- (4) Amounts tabled reflect the short term incentive plan compensation earned for services performed during the financial year, even if payable at a future date. See discussion in more detail above under “*Compensation Discussion and Analysis – Compensation Mix – Short Term Incentive Plan*”.
- (5) AltaGas makes contributions under the Employee Share Purchase Savings Plan and the Group RRSP (for David W. Cornhill). These plans are described in more detail above under “*Compensation Discussion and Analysis – Compensation Mix – Long Term Incentives*” and below under “*Retirement Plan Benefits*”. Also included are amounts attributable to the AltaGas group benefits plan, the value of perquisites, and for Ms. Newson a payment in 2011 pursuant to the change of control provisions of the Newson Agreement described under “*Executive Employment Agreements*”.
- (6) Mr. Cornhill received no additional compensation for his role as a director.
- (7) See discussion of employment agreements under “*Executive Employment Agreements*”. Ms. Newson joined AltaGas as an employee upon the acquisition of AltaGas Utility Group Inc. on October 9, 2009, and retired December 31, 2011.



### SHARE OWNERSHIP GUIDELINE FOR OFFICERS

In recognition of the importance of ensuring an alignment of financial interests of officers with those of Shareholders, AltaGas adopted in 2004 Share ownership guidelines for officers of AltaGas.

Under the guidelines, incumbents in the following officer positions will be expected to make reasonable efforts to achieve targeted Share ownership levels within a five-year period commencing upon the date of formal appointment as an officer of AltaGas. The targets and Shares held for the Named Executive Officers are as at December 31, 2011.

Name	Targeted Ownership of Shares (#)	Actual Shares held as at Fiscal Year End (held directly and indirectly) (#)	Unvested RUs and PUs <sup>(1)</sup> (#)	Total for Share Ownership Guidelines <sup>(1)</sup> (#)	Value of Shares, RUs and PUs at Fiscal Year End <sup>(2)</sup> (\$)	Value of Shares, RUs and PUs as a multiple of base salary
David W. Cornhill Chairman and Chief Executive Officer	120,000	1,247,212	10,000 RU	1,257,212	40,093,539	61.7x
Deborah S. Stein Senior Vice President Finance and Chief Financial Officer	30,000	21,534	1,667 RU 6,600 PU	29,801	998,202	3.7x
David M. Harris President Power	30,000	1,507	13,333 RU 44,000 PU	58,840	2,112,971	6.6x
Randy W. Toone Co-President Gas	30,000	21,705	2,500 RU 11,500 PU	35,705	1,217,611	4.8x
Patricia M. Newson Senior Vice President	30,000	328,153	2,500 RU	330,653	10,544,567	28.9x

Notes:

- (1) For purposes of achieving compliance with AltaGas' Share ownership guidelines, unvested RUs and PUs count toward Share ownership.
- (2) Using the December 30, 2011 Share closing price on the TSX of \$31.84 for Shares, and adding the values disclosed below under the table heading "Market or Payout Value of Share-based Awards that have not Vested" for RUs and PUs.

The HR Committee will periodically review Share ownership levels to monitor the progress individual officers are making towards their targeted ownership levels and to encourage officers to meet and maintain those levels. All Named Executive Officers increased their Share ownership in 2011 as compared to year-end 2010, and three of the five Named Executive Officers increased their ownership of Shares, RUs and PUs in 2011 for the purpose of achieving compliance with the Share ownership guidelines as compared to year-end 2010.

## INCENTIVE PLAN AWARDS

### Outstanding Share Option-based Awards and Share-based Awards

The following table reflects all Share option-based and Share-based incentive plan awards outstanding to the Named Executive Officers at December 31, 2011.

Name	Share Option-based Awards				Share-based Awards		
	Shares underlying unexercised Share Options (#)	Share Option exercise price <sup>(1)</sup> (\$/Share)	Share Option expiration date	Value of unexercised in-the-money Share Options <sup>(2)</sup> (\$)	Number of Shares that have not vested (#)	Market or payout value of Share – based awards that have not vested <sup>(3)</sup> (\$)	Market or payout value of vested Share-based awards not paid out or distributed (\$)
David W. Cornhill	50,000 250,000 350,000 275,000 <sup>+</sup>	14.24 18.15 21.05 29.85	10/12/2018 09/11/2019 16/12/2020 25/11/2021	880,000 3,422,500 3,776,500 547,250	10,000 RU	382,309	nil
Deborah S. Stein	10,000 25,000 15,000 50,000 15,000 <sup>+</sup> 15,000 <sup>+</sup> 35,000 <sup>+</sup>	23.80 14.24 18.15 21.05 24.92 26.94 29.85	21/04/2015 10/12/2018 09/11/2019 16/12/2020 12/05/2021 06/10/2021 25/11/2021	80,400 440,000 205,350 539,500 103,800 73,500 69,650	5,000 PU <sup>(4)</sup> 1,667 RU 1,600 PU <sup>(5)</sup>	191,155 63,718 57,686	nil
David M. Harris	50,000 25,000 25,000 <sup>+</sup> 30,000 <sup>+</sup> 50,000 <sup>+</sup>	17.77 21.05 24.92 26.94 29.85	02/06/2020 16/12/2020 12/05/2021 06/10/2021 25/11/2021	703,500 269,750 173,000 147,000 99,500	13,333 RU 4,000 PU <sup>(5)</sup> 40,000 PU <sup>(6)</sup>	497,655 144,215 1,423,118	nil
Randy W. Toone	2,400 8,000 8,000 15,000 11,250 50,000 50,000 <sup>+</sup>	23.80 29.15 28.86 14.24 18.15 21.05 29.85	21/04/2015 19/12/2015 06/09/2016 10/12/2018 09/11/2019 16/12/2020 25/11/2021	19,296 21,520 23,840 264,000 154,013 539,500 99,500	2,500 RU 7,500 PU <sup>(4)</sup> 4,000 PU <sup>(5)</sup>	95,577 286,732 144,215	nil
Patricia M. Newson	50,000 50,000	18.00 21.05	09/10/2019 16/12/2020	692,000 539,500	2,500 RU	96,176	nil

Notes:

- (1) The option exercise price is set using the closing price of Shares (or, prior to July 1, 2010, the closing price of trust units) on the trading day preceding the grant date.
  - (2) The value of unexercised in-the-money Share Options represents the difference between the closing price of Shares on December 30, 2011 (\$31.84) and the exercise price.
  - (3) Market or payout value of RUs and PUs that have not vested is calculated by adding the original number of Shares granted to the additional Shares accumulated to December 31, 2011 with respect to those original grants, multiplying such sum by the average closing price for the last 20 trading days of 2011 (\$31.42), and adding the distributions that would accumulate on those Shares until vesting assuming a dividend of \$1.38 per Share per annum.
  - (4) Performance milestone: declared total dividends per Share of \$4.52 from grant date to vesting date (01/11/2012).
  - (5) Performance milestone: declared total dividends per Share of \$3.96 from grant date to vesting date (01/11/2013).
  - (6) Performance milestone: declared total dividends per Share of \$4.14 from grant date to vesting date (01/11/2014).
- + Granted during the year ended December 31, 2011.

PU's outstanding to the Named Executive Officers are subject to multiplication on vesting, as follows:

- If the performance milestone is exceeded by more than 15% the multiplier is two;
- If the performance milestone is met, the multiplier is one;

- If the performance milestone is missed by more than 15%, the multiplier is zero;
- Calculation of the multiplier between not met and exceed will be on a straight line basis commencing with a multiplier of 0.5 at 15% below the performance milestone up to a multiplier of two for exceeding the performance milestone by more than 15%.

### Incentive Plan Awards – Value Vested or Earned During 2011

The following table reflects the aggregate dollar value on vesting of Share Options, RUs and PUs for Named Executive Officers during the year ended December 31, 2011 and annual cash incentives earned during that year by such Named Executive Officers.

Name	Share Option-based awards - Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
David W. Cornhill	2,089,000	826,273	500,000
Deborah S. Stein	305,225	116,925	149,071
David M. Harris	154,625	177,816	225,049
Randy W. Toone	305,225	144,208	120,710
Patricia M. Newson	247,375	79,809	219,011 <sup>(3)</sup>

Notes:

- (1) The value upon the vesting of Share Options represents the difference between the market price of Shares at the time of vesting and the exercise price of Share Options.
- (2) The value upon the vesting of RUs and PUs represents the product of the RUs and PUs vested multiplied by the market price of Shares at the time of vesting.
- (3) See discussion of employment agreements under “*Executive Employment Agreements*”. Ms. Newson joined AltaGas as an employee upon the acquisition of AltaGas Utility Group Inc. on October 9, 2009 and retired December 31, 2011.

Share Options granted to the Named Executive Officers vest as to 25% on each of the first, second, third and fourth anniversaries of the grant date, and expire on the tenth anniversary. Refer to “*Compensation Discussion and Analysis – Compensation Mix – Long Term Incentives – Share Option Plan*” for a summary of the material provisions of AltaGas’ Share Option Plan.

In support of the column titled “Share Option-based awards - Value vested during the year” in the table above, the following Share Options vested in 2011:

Name	Shares underlying Share Options vested during the year (#)	Share Option exercise price (\$)	Vesting date	Market price of Shares on vesting date (\$)	Value vested during the year (\$)
David W. Cornhill	25,000	14.24	10/12/2011	31.63	434,750
	62,500	18.15	09/11/2011	30.03	742,500
	87,500	21.05	16/12/2011	31.47	911,750
Deborah S. Stein	7,500	14.24	10/12/2011	31.63	130,425
	3,750	18.15	09/11/2011	30.03	44,550
	12,500	21.05	16/12/2011	31.47	130,250
David M. Harris	12,500	17.77	02/06/2011	24.93	89,500
	6,250	21.05	16/12/2011	31.47	65,125
Randy W. Toone	7,500	14.24	10/12/2011	31.63	130,425
	3,750	18.15	09/11/2011	30.03	44,550
	12,500	21.05	16/12/2011	31.47	130,250
Patricia M. Newson	12,500	18.00	09/11/2011	27.37	117,125
	12,500	21.05	16/12/2011	31.47	130,250

Please refer to “*Compensation Discussion and Analysis – Compensation Mix – Long Term Incentives – Mid Term Incentive Plan*” for a summary of the MTIP.

In support of the column titled “Share-based awards – Value vested during the year” in the table above, the following RUs and PUs vested in 2011:

Name	Shares underlying RUs and PUs vested during the year (#)	Additional Shares accumulated at time of vesting <sup>(1)</sup> (#)	Vesting date	Market price of Shares on vesting date <sup>(2)</sup> (\$)	Value vested during the year (\$)
David W. Cornhill	13,333 RU	4,358	01/11/2011	28.09	498,882
	10,000 RU	1,610	01/11/2011	28.09	327,391
Deborah S. Stein	1,667 RU	545	01/11/2011	28.09	62,360
	1,667 RU	268	01/11/2011	28.09	54,565
David M. Harris	6,667 RU	409	02/06/2011	25.02	177,816
Randy W. Toone	1,667 RU	545	01/11/2011	28.09	62,360
	2,500 RU	402	01/11/2011	28.09	81,848
Patricia M. Newson	2,500 RU	419	09/10/2011	27.23	79,809

Notes:

- (1) The RUs and PUs are tracked during the applicable vesting period and dividends on a Share during that period are deemed to be paid on the dates of dividend on each PU and RU and reinvested to acquire more phantom whole shares and accrue to the benefit of that individual in the accounts maintained for that individual, to be paid to the individual if and to the extent vesting occurs.
- (2) The market price of Shares for the purpose of calculating amounts payable pursuant to vested RUs and PUs is the average of the closing price of Shares for the immediately preceding 20 days prior to vesting.

### Share Options – Value Exercised During 2011

The following Share Options were exercised in 2011:

Name	Shares underlying Share Options exercised during the year (#)	Share Option exercise price (\$)	Exercise date	Market price of Shares on exercise date (\$)	Value exercised during the year (\$)
David W. Cornhill	nil	n/a	n/a	n/a	n/a
Deborah S. Stein	5,000	14.24	29/06/2011	26.01	58,850
David M. Harris	nil	n/a	n/a	n/a	n/a
Randy W. Toone	4,200	14.24	22/06/2011	25.90	48,972
	4,500	14.24	29/06/2011	26.01	52,965
	5,200	14.24	07/07/2011	26.54	63,960
	1,100	14.24	03/08/2011	26.05	12,991
	100	23.80	03/08/2011	26.05	225
	3,750	18.15	03/08/2011	26.05	29,625
Patricia M. Newson	nil	n/a	n/a	n/a	n/a

## RETIREMENT PLAN BENEFITS

AltaGas offers the following retirement plan benefits:

### AltaGas Defined Contribution Pension Plan

On July 1, 2005, AltaGas instituted a registered defined contribution pension plan (the “**DC Plan**”) for employees, including executive officers. The DC Plan provides for AltaGas contributions of 4 percent of employee base salary plus a service-related match of employee optional contributions of up to 2 percent of the employee’s base salary. All regular employees, excluding the Chief Executive Officer, participate in the DC Plan. AltaGas contributions on behalf of employees vest after two years of employment with AltaGas or a related company. Employees direct the investment of their own and AltaGas’ contributions in one or a combination of 18 different investment options.

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at year end (\$)
David W. Cornhill <sup>(1)</sup>	n/a	n/a	n/a
Deborah S. Stein	101,578	16,262	118,272
David M. Harris	9,201	16,075	31,836
Randy W. Toone	82,951	15,247	97,467
Patricia M. Newson	168,646	15,264	169,521

Note:

- (1) Mr. Cornhill does not participate in the DC Plan. See discussion below under “*Retirement Plan Benefits – Group RRSP*”.

### AltaGas Supplemental Executive Retirement Plan

On July 1, 2005, AltaGas instituted a non-registered defined benefit retirement plan for executive officers to supplement their AltaGas-sponsored registered retirement savings plans (being the Group RRSP and DC Plan). The supplemental executive retirement plan (“**SERP**”) benefit is determined such that the value of each member’s total retirement benefit is equal to the value of an annual defined benefit pension of 2 percent of the member’s highest three-year average earnings multiplied by the member’s years of pensionable service.

For purposes of determining the value:

- (i) earnings are defined as the member’s base salary plus 50 percent of his or her target bonus;
- (ii) upon enrolling in the SERP, a member will have the portion of his or her AltaGas employment service that exceeds five years immediately recognized as pensionable service;
- (iii) each year going forward the member will receive credit for two years of pensionable service until his or her pensionable service is equal to his or her AltaGas employment service. Thereafter, one year of pensionable service will be credited for each year of continuing employment service;
- (iv) the retirement benefit is a joint life pension with a guarantee that at least five years of payments will be made. If the member was married at retirement, after the death of the member, and the expiration of the five-year guarantee, the pension will be reduced to 60 percent for the remainder of the spouse’s lifetime; and
- (v) the member with at least five years of pensionable service may retire as early as age 55. The accrued retirement benefit will be reduced by 3 percent per year that retirement precedes the member’s attainment of age 60.

The SERP will provide the difference between the value of the total retirement benefit determined above, and the value of the Member’s DC Plan and Group RRSP entitlement. The SERP will pay this value to the member in equal payments from the date of the member’s retirement to the date the member attains age 70.

The SERP benefits will be paid from the general revenue of AltaGas as payments become due. Security for the accruing liability will be provided through a letter-of-credit arrangement.

Name	Number of years credited service (#)	Annual benefits payable (\$)		Present value of defined benefit obligation at start of year (\$)	Compensatory change (\$)	Non-compensatory change (\$)	Present value of defined benefit obligation at year end (\$)
		At year end	At age 65				
David W. Cornhill	17.75	286,868	401,083	3,513,357	275,157	606,471	4,394,985
Deborah S. Stein	6.95	46,984	127,796	277,695	85,117	92,115	454,927
David M. Harris	1.58	14,286	135,279	31,675	65,406	22,618	119,699
Randy W. Toone <sup>(1)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Patricia M. Newson <sup>(2)</sup>	n/a	257,184	257,184	1,705,485	113,517	156,245	1,975,247

Note:

- (1) Mr. Toone was not a member of SERP as at December 31, 2011.
- (2) See discussion of employment agreements under “*Executive Employment Agreements*”. Ms. Newson joined AltaGas as an employee upon the acquisition of AltaGas Utility Group Inc. on October 9, 2009 and retired December 31, 2011.

### Group RRSP

Until July 1, 2005, AltaGas coordinated a group (the “**Group RRSP**”) registered retirement savings plan (“**RRSP**”) whereby employee contributions into their self-directed RRSPs were matched by AltaGas at a rate of 80 percent of the employee’s contribution, to a maximum of 4.8 percent of base pay. AltaGas will continue to enable individuals to make RRSP contributions to the Plan through payroll deduction, but with the commencement of the DC Plan will not match such contributions, except in the case of David W. Cornhill, Chief Executive Officer, who continues to receive matching in lieu of participation in the DC Plan.

### **EXECUTIVE EMPLOYMENT AGREEMENTS**

AltaGas is party to employment agreements with David W. Cornhill, Deborah S. Stein, Randy W. Toone and Patricia M. Newson. The agreements are discussed below.

AltaGas Services Inc. was a party to an employment agreement with David W. Cornhill, AltaGas’ Chairman and Chief Executive Officer (the “**Services Employment Agreement**”). The Services Employment Agreement was amended and restated effective May 1, 2004 in connection with the Trust Arrangement so that such agreement for the most part has similar terms and conditions. The amended and restated Services Employment Agreement was effective May 1, 2004. The Services Employment Agreement was further amended and restated effective January 1, 2007 in order to, among other things, increase base salary, provide for allocations of PUs under the MTIP, amend entitlements under the SERP and otherwise adjust the compensation payable to Mr. Cornhill on the occurrence of certain events. The Services Employment Agreement continues indefinitely.

Effective July 21, 2011, AltaGas entered into employment agreements with Deborah S. Stein (the “**Stein Agreement**”) and Randy W. Toone (the “**Toone Agreement**”) on substantially similar terms and conditions as the Services Employment Agreement.

Effective November 17, 2005, AltaGas Utility Group Inc. entered into an employment agreement with Patricia M. Newson (the “**Newson Agreement**”) on substantially similar terms and conditions as the Services Employment Agreement. As a result of a change of control, as defined in the Newson Agreement, occurring due to AltaGas’ acquisition of AltaGas Utility Group Inc., and a desire to retain Ms. Newson’s services beyond the change of control payment date, AltaGas entered into amended and restated Newson Agreements with Ms. Newson effective June 29, 2010 and December 24, 2010 in order to, among other things, (1) provide for her entitlements under the change of control provisions of the Newson Agreement and define the timing and process for these payments, (2) extend the Newson Agreement to December 31, 2011, (3) amend the notice Ms. Newson is required to give AltaGas on resignation of employment to 30 days, (4) amend the payments to Ms. Newson on a future change of control, if any, from 3.0x to 2.0x the sum of (a) Ms. Newson’s base salary in the last full month of employment with AltaGas; plus (b) the product of (i) Ms. Newson’s base salary in effect during her last month of employment with AltaGas multiplied by (ii) the annual target bonus percentage and (iii) the simple average for the two preceding completed calendar years of the multiplier that was applicable in determining any bonus that was paid

by AltaGas Utility Group Inc. to Ms. Newson in each of those two years; plus (c) the annual cash amount equal to the value of the benefits and parking; plus (d) the annual cash amount equal to the value of the car provided to Ms. Newson.

(The Services Employment Agreement, the Stein Agreement, the Toone Agreement and the Newson Agreement are collectively referred to as the “**Employment Agreements**”.)

The base salaries provided in those agreements for each of those Named Executive Officers are indicated in the Summary Compensation Table provided above.

### **Termination and Change of Control Arrangements**

The Services Employment Agreement, the Stein Agreement and the Toone Agreement provide compensation (a “**Retirement Allowance**”) in the following circumstances:

- involuntary termination for any reason (other than cause);
- voluntary termination following constructive dismissal, as defined in the Employment Agreements;
- voluntary termination on a “change of control” as defined in the Employment Agreements.

Mr. Cornhill’s Services Employment Agreement also provides for a Retirement Allowance if he provides six month’s advance notice of his resignation. The Services Employment Agreement, the Stein Agreement and the Toone Agreement provide for a Retirement Allowance in an amount equal to a multiple of (a) the annual base salary paid in the last full month of employment; (b) the product of the annual base salary in effect during the last month of employment multiplied by the annual target bonus percentage; (c) the value of the benefit entitlement for a one-year period; and (d) the value of the annual car allowance or, in the case of Mr. Cornhill, a cash amount equal to the product of 12 times the value on a monthly basis of the car provided to him. The Retirement Allowance multiple pursuant to the Stein Agreement and the Toone Agreement is 2.0x. The Retirement Allowance multiple pursuant to Mr. Cornhill’s Services Employment Agreement is 2.0x, with the following exceptions: (1) if Mr. Cornhill resigns, the Retirement Allowance multiple is 1.0x; and (2) if Mr. Cornhill resigns or is terminated following a change of control, the Retirement Allowance multiple is 2.5x, being an increment of 1.5x above Mr. Cornhill’s Retirement Allowance entitlement if he resigns in the absence of a change of control.

Please reference the narrative above under “*Executive Employment Agreements*” regarding amendments to the Newson Agreement as such amendments pertain to change of control arrangements.

“Change of control” for the purposes of the Employment Agreements includes the acquisition of control by any means and “control” includes the power to direct or cause the direction of the management and policies of AltaGas or any applicable affiliate.

If at any time during the term of the amended and restated Services Employment Agreement with Mr. Cornhill there is a “change of control” (as defined above), Mr. Cornhill is entitled, at any time after six months but before one year, after the effective date of such change of control, to terminate his employment with AltaGas by the giving of 60 days’ notice to that effect. In that event, or if AltaGas terminates the Services Employment Agreement within a period of one (1) year after such change of control, he is entitled to the Retirement Allowance.

Ms. Newson is entitled, at any time after six months but before nine months after the effective date of a change of control, to terminate her employment with AltaGas and receive her Retirement Allowance by the giving of 60 days’ notice to that effect.

As stated above, Ms. Newson was entitled to a change of control payment as a result of AltaGas’ purchase of AltaGas Utility Group Inc. on October 9, 2009. The change of control provision included payment of \$2,700,000, payable on January 5, 2011, a short-term incentive in respect of 2010 of \$397,524, payable on March 31, 2011, the provision of three years of certain group benefits and three years’ additional service under the SERP. The Newson Agreement also provides for her MTIPs to continue to vest in accordance with the existing vesting schedule until fully vested.

Mr. Cornhill was entitled, pursuant to the provisions of his Services Employment Agreement, to terminate his employment and receive certain payments in the circumstances of the Corporate Arrangement being completed. However, Mr. Cornhill unilaterally waived his entitlement to do so and his entitlement to any other compensation payments that might arise as a result of the Corporate Arrangement. The definitions of change of control in the Newson Agreement do not contemplate the Corporate Arrangement constituting a change of control. The Stein Agreement and the Toone Agreement were executed after the Corporate Arrangement.

The following table shows the amounts payable to each of the Named Executive Officers in the event of termination as at December 31, 2011, in the circumstances noted.

Name	Months used to calculate Retirement Allowance	Value of Retirement Allowance (\$) <sup>(1)</sup>	Additional SERP Value (\$) <sup>(2)</sup>	Value of Long Term Incentives (\$) <sup>(3)</sup>	Total Value (\$)
David W. Cornhill <sup>(4)</sup>	12	1,133,537	nil	2,915,273	4,048,810
David W. Cornhill <sup>(5)</sup>	24	2,267,074	nil	2,915,273	5,182,347
David W. Cornhill <sup>(6)</sup>	30	2,833,843	nil	2,915,273	5,749,116
Deborah S. Stein <sup>(7)</sup>	24	804,204	nil	422,150	1,226,354
David M. Harris <sup>(8)</sup>	n/a	n/a	n/a	n/a	n/a
Randy W. Toone <sup>(7)</sup>	24	804,204	nil	449,433	1,253,637
Patricia M. Newson <sup>(7)</sup>	24	1,203,111	132,642	327,184	1,662,937

Notes:

- (1) Includes base salary, bonus, benefits and perquisites.
- (2) Value of additional benefit payable in the event of change of control as of December 31, 2011.
- (3) Represents value of unexercised, in-the-money Share Options and market or payout value of Share-based awards that have not vested, as of December 31, 2011. See "*Incentive Plan Awards – Outstanding Share-based Awards and Share Option-based Awards*".
- (4) Payable on voluntary termination of Mr. Cornhill's employment by Mr. Cornhill by giving notice to AltaGas of at least six months.
- (5) Payable upon termination of Mr. Cornhill's employment by AltaGas upon permanent disability, death or without cause, or by Mr. Cornhill for constructive dismissal.
- (6) Payable upon termination of Mr. Cornhill's employment by AltaGas or Mr. Cornhill as a result of a change in control of AltaGas.
- (7) Payable upon termination of the Named Executive Officer's employment by AltaGas or the Named Executive Officer as a result of a change in control of AltaGas.
- (8) Mr. Harris is not party to an employment agreement with AltaGas.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information related to AltaGas' equity compensation plans for the financial year ended December 31, 2011:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	5,337,705	\$22.36	3,587,132
Equity Compensation plans not approved by securityholders	n/a <sup>(2)</sup>	n/a	n/a <sup>(2)</sup>
<b>Total</b>	<b>5,337,705</b>	<b>\$22.36</b>	<b>3,587,132</b>

Notes:

- (1) Of the 3,587,132 Shares available for future issuance pursuant to the Share Option Plan at December 31, 2011, only 2,224,528 Shares were reserved for issuance with the TSX pursuant to the Share Option Plan.



- (2) No Shares are available or reserved for future issuance pursuant to the MTIP. On vesting, RUs and PUs are paid in cash or, at the option of AltaGas, Shares purchased on the open market. See “*Compensation Discussion and Analysis – Compensation Mix – Long-Term Incentives – Mid Term Incentive Plan*”.

The following table sets forth certain measures of Share Option usage as a percentage of issued and outstanding Shares as at December 31, 2011:

<b>Dilution</b> number of Share Options granted but not exercised (5,337,705) / issued and outstanding Shares as at December 31, 2011 (89,248,373)	5.98%
<b>Overhang (reserved for issuance with TSX)</b> number of Share Options reserved for issuance with the TSX (2,224,528) plus number of Share Options granted but not exercised (5,337,705) / issued and outstanding Shares as at December 31, 2011 (89,248,373)	8.47%
<b>Overhang (available for issuance pursuant to Share Option Plan)</b> number of Share Options available to be granted pursuant to Share Option Plan (3,587,132) plus number of Share Options granted but not exercised (5,337,705) / issued and outstanding Shares as at December 31, 2011 (89,248,373)	10.00%
<b>Burn Rate</b> number of Share Options granted in 2011 (1,154,750) / issued and outstanding Shares as at December 31, 2011 (89,248,373)	1.29%

#### OTHER MATTERS

AltaGas knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting; however, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

AltaGas shall provide without charge, upon request being made to AltaGas, a copy of AltaGas’ Annual Information Form, together with any document, or the pertinent pages of any document, incorporated by reference therein, AltaGas’ most recently filed comparative annual financial statements, together with the accompanying report of the auditor, AltaGas’ most recently filed annual Management’s Discussion and Analysis and any interim financial statements of AltaGas that have been filed thereafter and the interim Management’s Discussion and Analysis relating thereto. Financial information is provided in AltaGas’ comparative financial statements and Management’s Discussion and Analysis for the year ended December 31, 2011.

Additional information relating to AltaGas is available under AltaGas’ profile on SEDAR at [www.sedar.com](http://www.sedar.com).

DATE: March 15, 2012.

**SCHEDULE A**  
**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The following table sets forth the disclosure requirements for Corporate Governance Disclosure set forth in NI 58-101F1 together with AltaGas' governance approach. In addition, where applicable the table references the requirements contained in NI 52-110 and AltaGas' compliance therewith. The board of directors believes that AltaGas' corporate governance policies and practices fully comply with the requirements of NI 52-110 and NI 58-101 and with the guidelines of NP 58-201.

<b><i>1. Board of Directors</i></b>																			
<b>a.</b>	<p><b>Disclose the identity of directors who are independent.</b></p> <p>Independent directors:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Catherine M. Best</td> <td style="width: 50%;">Allan L. Edgeworth</td> </tr> <tr> <td>Hugh A. Fergusson</td> <td>Daryl H. Gilbert</td> </tr> <tr> <td>Robert B. Hodgins</td> <td>Myron F. Kanik</td> </tr> <tr> <td>David F. Mackie</td> <td>M. Neil McCrank</td> </tr> </table> <p>This disclosure is also set forth above under "<i>Matters to be Considered at the Meeting - Election of Directors</i>".</p>	Catherine M. Best	Allan L. Edgeworth	Hugh A. Fergusson	Daryl H. Gilbert	Robert B. Hodgins	Myron F. Kanik	David F. Mackie	M. Neil McCrank										
Catherine M. Best	Allan L. Edgeworth																		
Hugh A. Fergusson	Daryl H. Gilbert																		
Robert B. Hodgins	Myron F. Kanik																		
David F. Mackie	M. Neil McCrank																		
<b>b.</b>	<p><b>Disclose the identity of directors who are not independent, and describe the basis for that determination.</b></p> <p>David W. Cornhill, as Chief Executive Officer of AltaGas and a member of management, is not considered independent.</p>																		
<b>c.</b>	<p><b>Disclose whether or not a majority of directors are independent.</b></p> <p>A majority of the current directors, eight of nine, are independent within the meaning of NI 58-201. A majority of the directors proposed by AltaGas as the nominees for election as directors of AltaGas to serve until the next annual meeting of Shareholders or until their successors are duly elected or appointed, eight of nine, are independent within the meaning of NI 58-201.</p>																		
<b>d.</b>	<p><b>Disclose directors' directorships in other public entities.</b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Catherine M. Best</td> <td style="width: 50%;">Canadian Natural Resources Limited Enbridge Income Fund Holdings Inc. Superior Plus Corp.</td> </tr> <tr> <td>David W. Cornhill</td> <td>Alterra Power Corp.</td> </tr> <tr> <td>Allan L. Edgeworth</td> <td>Emera Incorporated Pembina Pipeline Corporation</td> </tr> <tr> <td>Hugh A. Fergusson</td> <td>Provident Energy Ltd. Canexus Corporation</td> </tr> <tr> <td>Daryl H. Gilbert</td> <td>Crocotta Energy Inc. Falcon Oil &amp; Gas Ltd. Longview Oil Corp. MGM Energy Corp. Penn West Petroleum Ltd PRD Energy Inc. Seaview Energy Inc. Suroco Energy Inc. Zedi Inc.</td> </tr> <tr> <td>Robert B. Hodgins</td> <td>CUB Energy Inc. Enerplus Corporation Fairborne Energy Ltd. MEG Energy Corp. MGM Energy Corp. Skope Energy Inc.</td> </tr> <tr> <td>Myron F. Kanik</td> <td>Pembina Pipeline Corporation</td> </tr> <tr> <td>David F. Mackie</td> <td>None</td> </tr> <tr> <td>M. Neil McCrank</td> <td>Petrobank Energy and Resources Ltd.</td> </tr> </table>	Catherine M. Best	Canadian Natural Resources Limited Enbridge Income Fund Holdings Inc. Superior Plus Corp.	David W. Cornhill	Alterra Power Corp.	Allan L. Edgeworth	Emera Incorporated Pembina Pipeline Corporation	Hugh A. Fergusson	Provident Energy Ltd. Canexus Corporation	Daryl H. Gilbert	Crocotta Energy Inc. Falcon Oil & Gas Ltd. Longview Oil Corp. MGM Energy Corp. Penn West Petroleum Ltd PRD Energy Inc. Seaview Energy Inc. Suroco Energy Inc. Zedi Inc.	Robert B. Hodgins	CUB Energy Inc. Enerplus Corporation Fairborne Energy Ltd. MEG Energy Corp. MGM Energy Corp. Skope Energy Inc.	Myron F. Kanik	Pembina Pipeline Corporation	David F. Mackie	None	M. Neil McCrank	Petrobank Energy and Resources Ltd.
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Myron F. Kanik	Pembina Pipeline Corporation																		
David F. Mackie	None																		
M. Neil McCrank	Petrobank Energy and Resources Ltd.																		

e.	<p><b>Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</b></p> <p>In 2011, the independent directors had six regularly scheduled meetings and three special meetings at which the non-independent director and management were not in attendance. See disclosure above under "<i>Sessions without Management and Meetings Held</i>".</p>
f.	<p><b>Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.</b></p> <p>David W. Cornhill is the Chairman of the board of directors and Chief Executive Officer of AltaGas and is not considered an independent director.</p> <p>To ensure that the board of directors can function independently of management, the board of directors has appointed Myron F. Kanik, an independent director, as Lead Director. Mr. Kanik acts as Chair of the board of directors at meetings where the non-independent director and management are not in attendance. Responsibility for administering the board of directors' relationship to management has been assigned to the Governance Committee. Mr. Kanik is also chair of the Governance Committee.</p> <p>See discussion of Governance Committee below.</p>
g.	<p><b>Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</b></p> <p>See disclosure of attendance record above under "<i>Election of Directors</i>".</p>
<p><b>2. Board Mandate</b></p>	
<p>The board of directors has the following mandate:</p> <p><b>I. CONSTITUTION</b></p> <p>A. The Board of Directors of AltaGas Ltd. ("AltaGas" or the "Corporation") is constituted in accordance with the Articles and By-laws of the Corporation as amended from time to time and in accordance with the <i>Canada Business Corporations Act (the "Act")</i> as amended from time to time.</p> <p>B. The Board of Directors of AltaGas Ltd. will act in accordance with the Articles and By-laws of the Corporation as amended from time to time and in accordance with the Act and other applicable legislation as amended from time to time.</p> <p><b>II. MEMBERSHIP AND ORGANIZATION</b></p> <p>A. The Articles of the Corporation provide that there shall be a minimum of three (3) and a maximum of fifteen (15) Directors. In addition, the Articles provide that the Directors may appoint one or more Directors to hold office for a term expiring at the next annual meeting of the Shareholders provided that the total number so appointed may not exceed one third of the number of Directors elected at the previous annual meeting of the Shareholders.</p> <p>B. Nominations for the position of Director are in accordance with the Articles and By-laws of the Corporation and the Act. Nominees for Directors are initially considered and recommended by the Governance Committee of the Board of Directors, approved by the Board of Directors as a whole and elected annually by the Shareholders.</p> <p>C. The Board of Directors must be composed of a majority of members who have been determined by the Board of Directors to be independent. A Director is independent if the Director has no relationship with AltaGas which could, in the view of the Board of Directors, reasonably interfere with the exercise of a Director's independent judgment.</p> <p>D. The Board of Directors may delegate certain of their responsibilities to committees of the Board of Directors. The responsibilities of the committees will be set forth in a mandate for each committee, as determined by the Board of Directors from time to time.</p> <p><b>III. MEETINGS</b></p> <p>A. The Board of Directors shall convene not less than four times annually at such times and places as determined by the Board of Directors, or as required by the By-laws or the Act. In addition, the Board of Directors shall convene at the request of the Chairman, the Lead Director, any officer of AltaGas or any Director or as otherwise set forth in the By-laws.</p>	

- B. Notice of the time, date and place of each meeting of the Board of Directors shall be given to each Director not less than 48 hours before the time when the meeting is to be held in accordance with the By-laws and the Act.
- C. A quorum of the Directors at any meeting necessary for the transaction of business shall be as set forth in the By-laws.
- D. The Board of Directors will meet at least quarterly and in addition, once annually to review long-term and strategic planning for AltaGas.
- E. The independent Directors will meet on a periodic basis in the absence of management and non-independent Directors.

**IV. DUTIES AND RESPONSIBILITIES**

- A. The Board of Directors has plenary power. Any responsibility not delegated to management or a committee of the Board of Directors remains with the Board of Directors.
- B. The Board of Directors, in accordance with the Articles, the By-laws and the Act, affirms its mandate and general power to manage and supervise the management of the business and affairs of AltaGas and assumes responsibility for the overall stewardship of AltaGas.
- C. In discharging its general powers and responsibilities and fulfilling its mandate, the Board of Directors oversees the development, adoption and implementation of AltaGas' strategies and plans. In addition to its general powers and responsibilities, the Board's responsibilities include:
  1. Establishing a code of business ethics, encouraging a culture of ethical business conduct throughout the organization and monitoring compliance with the code of business ethics by the directors, officers and employees of AltaGas and its subsidiaries;
  2. Participating in AltaGas' strategic planning process on an annual basis, including an examination of the opportunities and risks of the business of AltaGas and its subsidiaries;
  3. Identifying and understanding the principal risks associated with AltaGas' business and reviewing and approving the implementation of systems to manage such risks;
  4. Overseeing management development and succession planning through the Human Resources and Compensation Committee;
  5. Establishing policies for communicating with Shareholders and others and for receiving comment from Shareholders and others;
  6. Reviewing the effectiveness of AltaGas' internal control and management information systems;
  7. Developing AltaGas' approach to governance through the Governance Committee of the Board of Directors;
  8. Overseeing finance, accounting, audit and financial control matters through the Audit Committee of the Board of Directors;
  9. Overseeing environment, occupational health and safety matters through the Environment, Occupational Health and Safety Committee of the Board of the Directors; and
  10. The general review of AltaGas' results of operations, including the evaluation of the general and specific performance of management.
- D. The Board of Directors is responsible for establishing policies to ensure effective, timely and non-selective communications between AltaGas, its Shareholders, other stakeholders and the public. The Board of Directors, or the appropriate committee thereof, will review and approve the content of AltaGas' major communications to Shareholders and the investing public, including the quarterly and annual reports, the information circular, the annual information form and any prospectuses that may be issued. The Board of Directors will establish policies for receiving communications from its Shareholders, other stakeholders and the public.
- E. The Board of Directors is responsible for establishing the mandates, roles and responsibilities of the Committees of the Board of Directors and the Chairs of each Committee and for delineating the responsibilities of the Chairman, Lead Director, Chief Executive Officer and management. The Board of Directors will review this mandate at least once annually.

**Discussion**

The mandate of the board of directors pursuant to the *Canada Business Corporations Act* (the "CBCA") is generally to manage or supervise the management of the business and affairs of AltaGas.

The board of directors sets one meeting per year for a comprehensive review and approval of AltaGas' budget and plan for AltaGas and its affiliates the following year. The board of directors has also established one meeting per year for a comprehensive review and approval of the overall strategic plan of AltaGas and its affiliates. Management regularly provides the board of directors with operational reviews of AltaGas' and its affiliates' activities. In conjunction with these reviews, the board of directors discusses various strategic planning matters and identifies business and other risks associated with the activities of AltaGas and its affiliates, as it considers appropriate.

The board of directors is responsible for understanding the principal risks associated with the business of AltaGas and its affiliates on an ongoing basis and management is responsible to ensure that the board of directors and its committees are kept well informed of these changing risks on a timely basis.

The board of directors considers that certain decisions are sufficiently important that management should seek prior approval of the board of directors. Such decisions include: approval of the annual capital and operating budgets and any material changes to or deviations from these budgets; acquisition or sale of significant assets, including significant commitments with industry partners; significant debt or equity financing; changes in management; all matters as required under the CBCA; and significant changes incorporate policies, goals or objectives.

### **3. Position Descriptions**

**a. Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

The board of directors has established written mandates for the board of directors and each of the Audit, Governance, Human Resources and Compensation, and Environment, Occupational Health and Safety Committees which set out the roles and responsibilities of the board and each committee. The Governance Committee's mandate includes review of the description of the directors' duties and the division of duties between and among directors, the Chairman, the Lead Director, the Chief Executive Officer and management.

**b. Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a written position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

The board of directors has developed and maintains a position description for the Chief Executive Officer (within the context of the requirements imposed by the CBCA and AltaGas' by-laws), which includes the limits on management's responsibilities. The Governance Committee's mandate includes review of the description of the directors' duties and the division of duties between and among directors, the Chairman, the Lead Director, the Chief Executive Officer and management.

The board of directors develops corporate objectives for which the Chief Executive Officer is responsible through its annual budget and strategic plan review, and otherwise as required. The Human Resources and Compensation Committee evaluates the Chief Executive Officer against those objectives and reports the results of the evaluation to the board of directors.

### **4. Orientation and Continuing Education**

**a. Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

The Governance Committee is responsible for establishing formal orientation, development and education programs and materials for new directors.

AltaGas arranges meetings between new directors and the Lead Director, the Chairman, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, the Vice President, General Counsel and Corporate Secretary and other members of management to discuss the role of the board of directors, its Committees and its directors, and the nature and operation of AltaGas' business. In addition, AltaGas does provide such other orientation and information as individual directors may request.

**b. Briefly describe what measures, if any, the board takes to provide continuing education for its directors.**

The Governance Committee is responsible for establishing formal orientation, development and education programs and materials for directors. Ongoing education of all directors is offered where a need is perceived or based on input obtained from individual directors as part of the assessment process.

See the discussion under the heading "*Matters to be Considered at the Meeting – Election of Directors – Director Education*" in the Information Circular

<b>5. Ethical Business Conduct</b>	
<b>a.</b>	<p><b>Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</b></p> <p><b>(i) disclose how a person or company may obtain a copy of the code;</b></p> <p><b>(ii) describe how the board monitors compliance with the code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</b></p> <p><b>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</b></p> <p>The board of directors has adopted a Code of Business Ethics ("COBE").</p> <p>A copy of the COBE is publicly available through the SEDAR website at <a href="http://www.sedar.com">www.sedar.com</a> or on AltaGas' website at <a href="http://www.altagas.ca">www.altagas.ca</a> or by request to the Vice President, General Counsel and Corporate Secretary.</p> <p>The board of directors monitors compliance with the COBE through reports of management to the Committees of the board of directors with responsibility for various aspects of the COBE. In addition, AltaGas has established a third-party service provider hotline and website for complaints. Complaints to the third-party service provider are provided to the Chair of the Audit Committee. Employees are required to sign off annually on their understanding of COBE.</p> <p>There have not been any material change reports filed since the beginning of AltaGas' most recently completed financial year that pertain to any conduct of a director or executive officer that constitutes a departure from the COBE.</p>
<b>b.</b>	<p><b>Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</b></p> <p>Any director with a material interest in a transaction or agreement being considered by the board of directors is required to declare such conflict and either absent themselves from the board of directors' meeting where such transaction or agreement is being considered or abstain from voting with respect to such transaction or agreement. Executive Officers are to disclose any material interest in a transaction or agreement being considered by the board of directors. Such Executive Officers would not be present at the board of directors meeting at which such transaction is being considered.</p>
<b>c.</b>	<p><b>Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</b></p> <p>The Governance Committee is responsible for the development of the overall governance of AltaGas, a continuing assessment of corporate governance matters, and to make recommendations to the board of directors regarding AltaGas' approach to corporate governance. Included in the Governance Committee's mandate is to review and make recommendations to the board of directors regarding AltaGas' approach to ethical business conduct as set forth in the COBE.</p>
<b>6. Nomination of Directors</b>	
<b>a.</b>	<p><b>Describe the process by which the board identifies new candidates for board nomination.</b></p> <p>The Governance Committee's mandate includes recommending directors to the board of directors to fill vacancies on the board of directors or to be proposed for election by AltaGas. The qualifications of the new board of directors' nominees are reviewed by the Governance Committee based on criteria set by the board of directors from time to time.</p>
<b>b.</b>	<p><b>Disclose whether or not the board has a nominating committee composed entirely of independent directors.</b></p> <p>The Governance Committee is currently composed of Robert B. Hodgins, Myron F. Kanik, David F. Mackie and M. Neil McCrank all of whom are independent directors. Myron F. Kanik is the chair of the committee and the Lead Director.</p>
<b>c.</b>	<p><b>If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</b></p> <p>The Governance Committee's mandate includes recommending directors to the board of directors to fill vacancies on the board of directors or to be proposed for election by AltaGas. The competencies and skills of the board of directors as a whole are considered by the Governance Committee in assessing potential nominees. The qualifications of the new board of directors' nominees are reviewed by the Governance Committee based on criteria set by the board of directors from time to time.</p> <p>The Governance Committee's mandate includes reviewing and making recommendations as to the size of the board of directors and practices for measuring performance. Based on these recommendations, the board of directors considers its size each year when it considers the number of directors to recommend to the Shareholders for election at the annual meeting of Shareholders, taking into account the number required to carry out the board of directors' duties effectively and to maintain a diversity of view, skills and experience</p>

<b>7. Compensation</b>	
<b>a.</b>	<p><b>Describe the process by which the board determines the compensation for the issuer’s directors and officers.</b></p> <p>See the discussion under the heading “<i>Report on Employee and Executive Compensation</i>” in the Information Circular.</p>
<b>b.</b>	<p><b>Disclose whether or not the board has a compensation committee composed entirely of independent directors.</b></p> <p>The Human Resources and Compensation Committee currently consists of Hugh A. Fergusson, Daryl H. Gilbert, Myron F. Kanik and David F. Mackie, all of whom are independent directors. Daryl H. Gilbert is the chair of the committee.</p>
<b>c.</b>	<p><b>If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</b></p> <p>The mandate of the Human Resources and Compensation Committee includes reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer’s compensation, evaluation of the Chief Executive Officer against those goals and objectives and making recommendations to the board of directors with respect to the Chief Executive Officer’s compensation based on its evaluation, developing appropriate compensation policies for the other officers of AltaGas and for evaluating senior management performance. The Human Resources and Compensation Committee reviews executive compensation disclosure before public disclosure of this information.</p>
<b>8. Other Board Committees</b>	
	<p><b>If the board has other standing committees other than audit, compensation and nominating committees, identify the committee and describe their function.</b></p> <p>In addition to the Audit Committee, the Governance Committee and the Human Resources and Compensation Committee, the board of directors of AltaGas has established the Environment, Occupational Health and Safety Committee, which monitors and makes recommendations with respect to the environment, health and safety policies, practices and procedures of AltaGas’ affiliates, including AltaGas and its subsidiaries. The committee has established an environmental risk management system and monitors its operation through regular reports.</p> <p>The Environment, Occupational Health and Safety Committee currently consists of David W. Cornhill, Allan L. Edgeworth and M. Neil McCrank, of whom Messrs. Edgeworth and McCrank are independent directors. Allan L. Edgeworth is the chair of the committee.</p>
<b>9. Assessments</b>	
	<p><b>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.</b></p> <p>The Governance Committee’s mandate also includes establishing appropriate practices for measuring the performance and for the review of the performance of the board of directors, board of directors’ committees and individual directors.</p> <p>The board of directors has a system to evaluate its performance. Each director annually completes a confidential questionnaire designed to provide directors with an opportunity to evaluate how effectively the board of directors, its committees, and the individual directors, are operating and to make suggestions for improvement. The questionnaire is primarily designed to provide constructive input for the improvement of the board of directors as a whole. Questions posed address the composition of the board of directors and its committees; effectiveness of the board of directors and its committees, the Chair and lead director, and meetings; duties and responsibilities of the board of directors and its committees; and orientation and development processes for the board of directors. The questionnaire, once completed, is submitted to the Chair of the Governance Committee. Directors’ input is then summarized on an anonymous basis. The summary is then reported to the board of directors by the Chair of the Governance Committee.</p>

<i>NI 52-110 Financial Literacy</i>	
<b>NI 52-110 Requirement</b>	<b>The audit committee must have a minimum of three members, each of whom must be “independent” and “financially literate” directors.</b>
<b>Does AltaGas Align?</b>	Yes
<b>Description of Approach</b>	<p>The CBCA, the corporate statute governing AltaGas, requires that the Audit Committee of AltaGas be composed of not less than three directors, a majority of whom are not officers or employees of AltaGas or any of its affiliates, including AltaGas. The Audit Committee complies with these requirements and the requirements of NI 52-110.</p> <p>All members of the Audit Committee are “financially literate” and Catherine M. Best, Allan L. Edgeworth, Hugh Fergusson, Daryl H. Gilbert and Robert B. Hodgins have “accounting or related financial expertise”, based on criteria established by the board of directors in accordance with NI 52-110. The board of directors has adopted the definition of “financially literate” set forth in NI 52-110.<sup>1</sup></p> <p>The board of directors has developed written terms of reference outlining the Audit Committee’s roles and responsibilities and provides appropriate guidance to Audit Committee members as to their duties. These terms of reference are reviewed annually by the board of directors. The Audit Committee assesses the adequacy of procedures for the public disclosure of financial information. The Audit Committee reviews on behalf of the board of directors, and reports to the board of directors the results of its review and its recommendation regarding, all material matters of a financial reporting and audit nature, including without limitation the annual and interim financial statements, management discussion and analysis, related press releases of AltaGas and internal controls. The Audit Committee reviews the nature and scope of the annual audit as proposed by the auditors and management. The Audit Committee is responsible for ensuring that management has established and is maintaining disclosure controls and procedures and internal control over financial reporting.</p> <p>The Audit Committee meets with AltaGas’ auditors regularly, independent of management, and has direct communication channels with AltaGas’ external and internal auditors to discuss and review specific issues as appropriate.</p>
<i>Audit Committee Charter</i>	
<b>NI 52-110 Requirement</b>	The Audit Committee must have a written charter that sets out its mandate and responsibilities.
<b>Does AltaGas Align?</b>	Yes
<b>Description of Approach</b>	The Audit Committee has a charter in place. See Schedule “A” to the AltaGas Annual Information Form for the text of the charter.

<sup>1</sup> NI 52-110 defines “financial literacy” as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by AltaGas’ financial statements.