

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

*This prospectus supplement, together with the short form base shelf prospectus dated December 7, 2011 (the “Prospectus”) to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may lawfully be offered for sale and therein only by persons permitted to sell such securities.*

*The Series C Shares (as hereinafter defined) to be offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended and may not be offered or sold in the United States of America or to or for the account of U.S. persons. See “Plan of Distribution”.*

**Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada.** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, General Counsel and Corporate Secretary of AltaGas (as hereinafter defined) at 1700, 355 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0J1 (telephone (403) 691-7575) and are also available electronically at [www.sedar.com](http://www.sedar.com).*

**PROSPECTUS SUPPLEMENT  
To a Short Form Base Shelf Prospectus Dated December 7, 2011**

New Issue

May 30, 2012

**AltaGas**

**ALTAGAS LTD.  
US\$200,000,000**

**8,000,000 Cumulative Redeemable 5-Year Rate Reset Preferred Shares, Series C**

AltaGas Ltd. (“AltaGas”) is hereby qualifying the distribution (the “Offering”) of 8,000,000 cumulative redeemable 5-year rate reset preferred shares, series C (the “Series C Shares”) of AltaGas at a price of US\$25.00 per Series C Share (the “Offering Price”). See “Details of the Offering” and “Plan of Distribution”.

The holders of Series C Shares will be entitled to receive, as and when declared by the board of directors of AltaGas (the “Board of Directors”) out of moneys of AltaGas properly applicable to the payment of dividends, fixed cumulative preferential cash dividends for the initial period from and including the date of issue of the Series C Shares to, but excluding, September 30, 2017 (the “Initial Fixed Rate Period”), at an annual rate of US\$1.10 per share, payable quarterly on the last day of March, June, September and December in each year (less any tax required to be deducted or withheld by AltaGas). Assuming an issue date of June 6, 2012, the first dividend, if declared, will be payable October 1, 2012, in the amount of US\$0.3473 per share. See “Details of the Offering”.

For each five-year period after the Initial Fixed Rate Period (each a “Subsequent Fixed Rate Period”), the holders of Series C Shares shall be entitled to receive, as and when declared by the Board of Directors, fixed cumulative preferential cash dividends, payable quarterly on the last day of March, June, September and December in each year, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate (as hereinafter defined) for such Subsequent Fixed Rate Period by US\$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by AltaGas on the applicable Fixed Rate Calculation Date (as hereinafter defined) and will be equal to the sum of the United States Government Bond Yield (as hereinafter defined) on the applicable Fixed Rate Calculation Date plus 3.58%. See “Details of the Offering”.

The Series C Shares shall not be redeemable prior to September 30, 2017. On September 30, 2017, and on September 30 in every fifth year thereafter, AltaGas may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or any part of the outstanding Series C Shares by the payment of US\$25.00 per Series C Share plus all accrued and unpaid dividends (less any tax required to be deducted or withheld by AltaGas). See “*Details of the Offering*”.

**Option to Convert into Series D Shares**

The holders of the Series C Shares will have the right to convert all or any of their shares into cumulative redeemable floating rate preferred shares, series D of AltaGas (the “**Series D Shares**”), subject to certain conditions, on September 30, 2017 and on September 30 in every fifth year thereafter. The holders of the Series D Shares will be entitled to receive, as and when declared by the Board of Directors, quarterly floating rate cumulative preferential cash dividends payable on the last day of March, June, September and December in each year in the amount per share determined by multiplying the Floating Quarterly Dividend Rate (as hereinafter defined) for such Quarterly Floating Rate Period (as hereinafter defined) by US\$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year. The Floating Quarterly Dividend Rate will be the annual rate of interest equal to the sum of the T-Bill Rate (as hereinafter defined) on the applicable Floating Rate Calculation Date (as hereinafter defined) plus 3.58%. See “*Details of the Offering*”.

The Series C Shares and Series D Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold, subject to certain restrictions and automatic conversion in certain circumstances, and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series C Shares and Series D Shares are identical in all material respects. See “*Details of the Offering*”.

**Price: US\$25.00 per Series C Share to initially yield 4.40% per annum**

	<b>Price to the Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Net Proceeds to AltaGas<sup>(2)</sup></b>
Per Series C Share .....	US\$25.00	US\$0.75	US\$24.25
<b>Total</b> .....	US\$200,000,000	US\$6,000,000	US\$194,000,000

- (1) The Underwriters’ (as hereinafter defined) fee for the Series C Shares is US\$0.25 for each Series C Share sold to certain institutions, as agreed between AltaGas and RBC (as hereinafter defined), by closing of the Offering, and US\$0.75 per Series C Share for all other Series C Shares purchased by the Underwriters. The Underwriters’ fee indicated in the table assumes that no Series C Shares are sold to such institutions.
- (2) Before deducting the estimated expenses of the Offering of approximately \$500,000. The expenses of the Offering and the Underwriters’ fee will be paid from the general funds of AltaGas.

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

Neither the Series C Shares nor the Series D Shares have a fixed maturity date and are not redeemable at the option of the holders of Series C Shares or Series D Shares, as applicable. The ability of a holder to liquidate its holdings of Series C Shares and Series D Shares, as applicable, may be limited. See “*Risk Factors*”.

AltaGas has applied to the Toronto Stock Exchange (the “**TSX**”) to list the Series C Shares and Series D Shares described in this prospectus supplement. Listing will be subject to AltaGas fulfilling all the listing

requirements of the TSX. There can be no assurance that the Series C Shares and Series D Shares will be accepted for listing on the TSX.

It is currently anticipated that the closing date of the Offering (the “**Offering Closing Date**”) will be on or about June 6, 2012, or such later date as AltaGas and the Underwriters may agree but in any event not later than June 30, 2012. See “*Details of the Offering*”.

RBC Dominion Securities Inc. (“**RBC**”), CIBC World Markets Inc. (“**CIBC**”), Scotia Capital Inc. (“**Scotia**”), BMO Nesbitt Burns Inc. (“**BMO**”), National Bank Financial Inc. (“**National**”), TD Securities Inc. (“**TD**”), HSBC Securities (Canada) Inc. (“**HSBC**”), Macquarie Capital Markets Canada Ltd., Beacon Securities Limited, FirstEnergy Capital Corp. and Peters & Co. Limited (collectively, the “**Underwriters**”), as principals, conditionally offer the Series C Shares, subject to prior sale, if, as and when issued by AltaGas to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal matters relating to the Offering on behalf of AltaGas by Stikeman Elliott LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP (collectively, “**Counsel**”).

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

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

In the opinion of Counsel, subject to the provisions of any particular plan, the Series C Shares and Series D Shares, if issued on the date hereof, generally would be qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) for certain tax-exempt plans. See “*Eligibility for Investment*”.

**Investing in the Series C Shares involves certain risks. See “*Risk Factors*” in the accompanying Prospectus and in this prospectus supplement.**

**RBC, CIBC, Scotia, BMO, National, TD and HSBC are, directly or indirectly, subsidiaries or affiliates of Canadian chartered banks that are lenders to AltaGas or its subsidiaries. Accordingly, pursuant to applicable securities legislation, AltaGas may be considered a “connected issuer” of such Underwriters. The net proceeds from the sale of the Series C Shares may be used to reduce the indebtedness of AltaGas to such lenders. See “*Relationship Between Certain of the Underwriters and AltaGas*” and “*Use of Proceeds*”.**

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### IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the securities AltaGas is offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Series C Shares offered hereunder.

**Prospective investors should rely only on the information contained in or incorporated by reference into this prospectus supplement and the Prospectus. AltaGas has not authorized any other person to provide prospective investors with additional or different information. If anyone provides prospective investors with different or inconsistent information, prospective investors should not rely on it. AltaGas is offering to sell, and seeking offers to buy, these securities only in jurisdictions where offers and sales are permitted. Prospective investors should assume that the information appearing in this prospectus supplement and the Prospectus, as well as information AltaGas or the Trust (as hereinafter defined) has previously filed with the securities regulatory authority in each of the provinces of Canada that is incorporated herein and in the Prospectus by reference, is accurate as of their respective dates only. AltaGas' business, financial condition, results of operations and prospects may have changed since those dates.**

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

The audited consolidated financial statements of AltaGas as at and for the years ended December 31, 2011 and 2010 incorporated by reference in this prospectus supplement have been prepared in accordance with Canadian GAAP – Part V. The unaudited comparative consolidated financial statements of AltaGas as at and for the three months ended March 31, 2012 incorporated by reference in this prospectus supplement have been prepared in accordance with U.S. GAAP.

The audited financial statements of SEMCO (as hereinafter defined) as at and for the years ended December 31, 2011 and 2010 and the unaudited financial statements of SEMCO as at and for the three months ended March 31, 2012 and 2011 incorporated by reference in this prospectus supplement have been prepared in accordance with U.S. GAAP and may not be comparable to financial statements of Canadian companies prepared in accordance with Canadian GAAP – Part V or Canadian GAAP. Reference should be made to note 13 in the audited financial statements of SEMCO as at and for the years ended December 31, 2011 and 2010 for a discussion of the principal differences between SEMCO’s financial results for the periods covered by such financial results and financial condition determined under U.S. GAAP and Canadian GAAP – Part V.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

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

The following are specifically incorporated by reference in and form an integral part of the Prospectus and this prospectus supplement:

- (a) the audited consolidated financial statements of AltaGas and notes thereto as at and for the years ended December 31, 2011 and 2010 together with the auditors’ report thereon filed on March 12, 2012, and the management’s discussion and analysis of results of operations and financial condition for the year ended December 31, 2011, filed on March 12, 2012 (the “**2011 MD&A**”);
- (b) the unaudited consolidated financial statements of AltaGas and notes thereto as at and for the three months ended March 31, 2012 and 2011, and the management's discussion and analysis of results of operations and financial condition for the three months ended March 31, 2012 (the “**2012 Q1 MD&A**”);
- (c) the annual information form of AltaGas dated March 15, 2012 for the year ended December 31, 2011 (the “**AIF**”);
- (d) the information circular dated March 15, 2012 relating to the Annual Meeting of holders of common shares of AltaGas (the “**Common Shares**”) held on April 26, 2012;
- (e) the material change report dated February 6, 2012 relating to the proposed acquisition (the “**Acquisition**”) by AltaGas Utility Holdings (U.S.) LLC (“**Acquireco**”), an indirect wholly-owned subsidiary of AltaGas, of all of the issued and outstanding shares of common stock of SEMCO Holding Corporation (“**SEMCO**”) from Continental Energy Systems LLC;
- (f) the audited consolidated statements of financial position and of capitalization of SEMCO at December 31, 2011 and 2010 and the related statements of operations, of changes in equity and comprehensive income and of cash flows for each of the years in the three-year period ended December 31, 2011, filed on April 9, 2012;
- (g) the unaudited condensed consolidated statements of financial position of SEMCO at March 31, 2012 and 2011 and the related condensed consolidated statements of operations and comprehensive income and of cash flows for the three months ended March 31, 2012, filed on May 30, 2012 (the “**SEMCO 2012 Q1 Financial Statements**”);
- (h) the unaudited *pro forma* consolidated financial statements of AltaGas as at and for the year ended December 31, 2011 after giving effect to the Acquisition and the related financing assumptions as described therein, filed on April 9, 2012;

- (i) the unaudited *pro forma* consolidated financial statements of AltaGas as at and for the three months ended March 31, 2012 after giving effect to the Acquisition and the related financing assumptions as described therein, filed on May 30, 2012 (the “**Interim Pro Forma Financial Statements**”); and
- (j) the sections entitled:
  - (i) “*Glossary*”;
  - (ii) “*Non-GAAP Financial Measures*”;
  - (iii) “*Acquisition of SEMCO*” (but excluding the information under the subheading “*Selected Unaudited Pro Forma Consolidated Financial Information*”);
  - (iv) “*Risk Factors – Risks Related to the Acquisition*”; and
  - (v) “*Risk Factors – Risks Related to the Business of SEMCO*”,

of the final short form prospectus of AltaGas dated February 14, 2012 (the “**Prior Prospectus**”).

Any documents of the type referred to above (excluding confidential material change reports), press releases containing financial information for financial periods more recent than the most recent annual or interim financial statements and any business acquisition reports subsequently filed by AltaGas with securities regulatory authorities in Canada after the date of this prospectus supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this prospectus supplement and the Prospectus for the purposes of this Offering. These documents are available through the internet on SEDAR, which can be accessed at [www.sedar.com](http://www.sedar.com).

**Any statement contained in the Prospectus, in this prospectus supplement or in any other document (or part thereof) incorporated or deemed to be incorporated by reference into the Prospectus shall be deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained herein or in any other subsequently filed document (or part thereof) which also is or is deemed to be incorporated by reference into the Prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the Prospectus.**

#### **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the prospectus and the documents incorporated by reference herein and therein contain forward-looking statements. When used in this prospectus supplement, the prospectus and the documents incorporated by reference herein and therein, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect” and similar expressions, as they relate to AltaGas or an affiliate of AltaGas, are intended to identify forward-looking statements. In particular, this prospectus supplement, the prospectus and the documents incorporated by reference herein and therein contain forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results.

Specifically, and as at the date hereof, such forward-looking statements are set forth in respect of AltaGas’ overall strategy under the heading “*AltaGas’ Strategy*” in the AIF, including with respect to the relative contribution of the gas, power and utilities businesses to revenue growth, statements as they relate to gas opportunities with respect to: expectations for the Western Canada Sedimentary Basin (“**WCSB**”); growth opportunities from plant modifications, increasing interests, acquiring and constructing infrastructure and growing demand; the anticipated

impact of the Harmattan co-stream project and the Gordondale project; the contribution of AltaGas' extraction infrastructure to throughput, utilization and profitability; the availability of opportunities to build or acquire gathering, processing, extraction or transmission infrastructure and generate operating synergies; and the impact of growing natural gas production in northeast British Columbia and northwest Alberta; statements as they relate to power opportunities with respect to: power demand growth and price recovery; the timing of new power generation and the impact of the planned decommissioning of thermal plants in Alberta, opportunities to develop new clean power generation capacity, the anticipated impact of the northwest British Columbia run-of-river hydro-electricity projects; and statements as they relate to utility opportunities to build or expand natural gas distribution infrastructure in Alberta, British Columbia, Nova Scotia or the Northwest Territories and the anticipated acquisition of SEMCO. In addition, such forward-looking statements are set forth under:

- “*General Development of AltaGas' Business – Historical Development – Development of the Gas Business*”, including in respect of the expected in service date of the Gordondale project, a natural gas processing facility and gathering system in the Gordondale area of the Montney reserve area and the expected full utilization of the Harmattan complex upon completion of the Harmattan co-stream project;
- “*General Development of AltaGas' Business – Historical Development – Development of the Power Business*”, including in respect of the expected in service date of the Forrest Kerr project and the expected cash flows to be derived therefrom, the timing of construction of the McLymont Creek project and Volcano Creek project, the expected completion date of a waste heat recovery unit near Sparwood, British Columbia and the expected completion date of a second 15 MW cogeneration plant at the Harmattan facility;
- “*General Development of AltaGas' Business – Historical Development – Development of the Utilities Business – Acquisition of SEMCO*”, including in respect of the expected acquisition date of SEMCO, the estimated total project costs to operational status of CINGSA and the expected timing of completion of CINGSA and availability of natural gas injections and withdrawals;
- “*Gas Business – Extraction and Transmission*”, including in respect of potential changes in the convention for obtaining extraction rights in Alberta, the impact of commodity prices or operating costs on NGL extraction, the timing of start-up of the Harmattan co-stream project and the utilization of the Harmattan complex resulting from the completion of the Harmattan co-stream project;
- “*Gas Business – Field Gathering and Processing*”, including in respect of the timing of start-up of the Gordondale project, how AltaGas may underpin capital commitments, expectations regarding natural gas prices and demand for gathering and processing facilities in the WCSB associated with the drilling for liquids rich gas and the associated gas from oil-targeted drilling, estimates of the number of natural gas well completions in the WCSB in 2011 and total current gas production and AltaGas' competitiveness in the midstream marketplace;
- “*Power Business*”, including in respect of expectations for growth through renewable energy projects and gas-fired generation opportunities, including cogeneration, the timing of commencement of operations at the Forrest Kerr project, expectations regarding the sufficiency of coal reserves at the Highvale mine for the Sundance B plant, the expected completion date of the second 15 MW cogeneration plant at the Harmattan complex, expectations regarding the integration of power from the Glenridge wind development project in AltaGas' Alberta power portfolio, intentions with respect to the sale by Bear Mountain Wind Limited Partnership of renewable energy credits as an additional revenue stream, the timing of commencement of commercial operations at the Forrest Kerr project, the cost, timing of development and construction of the McLymont Creek, Volcano Creek, Log Creek and Kookipi Creek run-of-river hydroelectric projects, expectations regarding the cost characteristics of the Sundance B plant, the ability to generate further growth for the power infrastructure business with its renewable energy portfolio, the supply-demand balance for power in Alberta, the timing of development and intentions with respect to the development of AltaGas' hydroelectric and wind power development projects in Canada and the United States and the timing of development of liquefied natural gas projects in western Canada, the demand for power from those liquefied natural gas projects and the effect on AltaGas' power generation portfolio;

- “*Utilities Business*”, including in respect of the potential for Heritage Gas Limited (“**Heritage Gas**”) to apply to the Nova Scotia Utility and Review Board for increases to the revenue deficiency account limit, AltaGas’ belief in Heritage Gas’ ability to continue to expand its customer base in Nova Scotia, expectations regarding increases in Heritage Gas’ annual natural gas deliveries and its ability to access natural gas supplies sufficient to serve all its customers as it grows and expectations with respect to Heritage Gas’ 2012 capital expenditures, expectations regarding the timing of a decision on AltaGas Utilities Inc.’s (“**AUI**”) General Rate Application for the period 2010-2012, expectations regarding the effect of AUI’s 2013-2017 Incentive Rate Application and AUI’s annual growth in service sites, expectations regarding Pacific Northern Gas Ltd.’s (“**PNG**”) 2012 capital expenditures and the timing of regulatory hearings for the 2012 revenue requirements applications and expectations regarding the remaining proven reserves of the Ikhil Joint Venture and the impact on those reserves of Northwest Territories Power Corporation ceasing to use such gas,

in the AIF incorporated by reference herein and under the headings “*Gas – Gas Outlook*”; “*Power – Power Outlook*”; “*Utilities – Utilities Outlook*”; “*Growth Capital*”; “*Consolidated Outlook*”; and “*Corporate – Corporate Outlook*” in the 2011 MD&A and comparable sections, as well as the “*Liquidity*” and “*Capital Resources*” sections, in the 2012 Q1 MD&A.

This prospectus supplement also incorporates by reference forward-looking statements with respect to:

- the Acquisition of SEMCO, including:
  - the expected Transaction Closing Date of the Acquisition;
  - the aggregate cash consideration payable by Acquireco in connection therewith and the anticipated sources of financing thereof;
  - expected future debt and Preferred Share financings;
  - anticipated benefits of the Acquisition, including:
    - expectations regarding the strategic fit of SEMCO with AltaGas’ existing business and its contribution to earnings, consolidated EBITDA and future cash flows, including expected accretion thereof;
    - expectations regarding the stability of cash flows from SEMCO’s business, including the proportion of EBITDA derived from regulated and long-term contracted assets; and
    - the growth opportunities associated with SEMCO’s business, including:
      - expected growth of SEMCO’s customer base in Michigan, its rate base and the expectations relating to Michigan’s economy improving;
      - expectations relating to customer conversions from alternative fuel sources to natural gas in Michigan and expectations regarding the relative costs of natural gas and other fuel sources;
      - expected growth of ENSTAR’s customer base and rate base and the contribution to such growth from expected activity levels in the resource sector;
      - growth projects in Alaska, including pursuant to system enhancements and expansions and the potential to expand the CINGSA Storage Project;

- the anticipated in-service date of CINGSA, its benefits in relation to ENSTAR's ability to meet seasonal customer demands and the capital expenditures associated therewith and the storage capacity thereof; and
- expectations with respect to the completion and submission of RAPs to MDEQ in relation to MGP sites and the accruals made by SEMCO in relation thereto; and
- the entrance into, the terms of, and the anticipated indebtedness to be incurred under, the New Credit Facility.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect AltaGas' then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation changes in market, competition, governmental or regulatory developments and general economic conditions and the other factors described under the heading "Risk Factors" in the AIF, the headings "Risk Factors – Risks Related to the Acquisition" and "– Risks Related to the Business of SEMCO" in the Prior Prospectus incorporated herein by reference and the heading "Risk Factors" in this prospectus supplement. The material assumptions in making these forward-looking statements are disclosed in the AIF and the 2011 MD&A, respectively, as may be modified or superseded by documents incorporated or deemed to be incorporated by reference herein, under the headings set forth above and comparable sections in the 2012 Q1 MD&A and, in respect of the Acquisition of SEMCO, set forth under "Acquisition of SEMCO" in the Prior Prospectus incorporated herein by reference.

Many factors could cause AltaGas' or any of its business segments' actual results, performance or achievements to vary from those described in this prospectus supplement, the prospectus and the documents incorporated by reference herein and therein, including without limitation those listed above as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this prospectus supplement, the prospectus and the documents incorporated by reference herein and therein as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements should not be unduly relied upon. These statements speak only as of the date of this prospectus supplement, the prospectus or as of the date specified in the documents incorporated by reference herein or therein, as the case may be. AltaGas does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this prospectus supplement, the prospectus and the documents incorporated by reference herein and therein are expressly qualified by these cautionary statements.

Financial outlook information contained in this prospectus supplement, the prospectus and the documents incorporated by reference herein and therein about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this prospectus supplement, the prospectus and the documents incorporated by reference herein and therein should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

#### USE OF PROCEEDS

The net proceeds to AltaGas from the Offering will be approximately US\$194,000,000 after deducting the Underwriters' fee of US\$6,000,000 (assuming no institutional sales of Series C Shares) and before deducting the expenses of the Offering. The expenses of the Offering and the Underwriters' fee will be paid from AltaGas' general funds.

The net proceeds will be used to reduce outstanding indebtedness under the Credit Facilities. Over the preceding two years, AltaGas and its affiliates used borrowings under the Credit Facilities to, among other things, fund the addition of capital assets under construction, provide working capital in respect of ongoing operations and

other general corporate purposes. Any net proceeds not applied to reduce outstanding indebtedness under the Credit Facilities will be used by AltaGas for general corporate purposes, which may include the financing of acquisitions and other capital expenditures and investments by AltaGas or its subsidiaries.

Certain of the Underwriters are, directly or indirectly, subsidiaries or affiliates of Canadian chartered banks which are lenders to AltaGas or its subsidiaries. Consequently, AltaGas may be considered to be a connected issuer of such Underwriters for purposes of applicable securities legislation. See “*Plan of Distribution*”.

### CAPITALIZATION OF ALTAGAS

The following table sets forth the unaudited consolidated capitalization of AltaGas as at March 31, 2012, and the unaudited *pro forma* consolidated capitalization of AltaGas as at March 31, 2012 after giving effect to: (i) the Offering; (ii) the Note Offering (as hereinafter defined) and the associated repayment of indebtedness under the Credit Facilities; and (iii) the completion of the Acquisition and related advances under the Credit Facilities and/or the New Credit Facility. The financial information set out below should be read in conjunction with the unaudited consolidated financial statements of AltaGas as at and for the three months ended March 31, 2012 and the Interim Pro Forma Financial Statements.

(\$000s except share amounts)

	Authorized	Outstanding as at March 31, 2012	Outstanding as at March 31, 2012 after giving effect to the Offering and the use of proceeds therefrom, the Note Offering and completion of the Acquisition and related advances under the Credit facilities <sup>(1)</sup>
<b>Debt</b>			
Credit facilities <sup>(2)</sup> .....		320,248	339,138
Medium Term Notes <sup>(3)</sup> .....		1,075,000	1,275,000
Other Long Term Debt.....		100,935	100,935
Assumed Debt of SEMCO <sup>(4)</sup> .....		Nil	379,401
<b>Share Capital</b>			
Common Shareholders' Equity <sup>(5)</sup> .....	Unlimited	1,185,837	1,557,999
		(89,824,004 Common Shares)	(103,739,004 Common Shares)
Preferred Shares.....	Unlimited	194,126	387,141
		(8,000,000 Preferred Shares, Series A)	(8,000,000 Preferred Shares, Series A and 8,000,000 Preferred Shares, Series C)
<b>Total Capitalization</b>		2,876,146	4,039,614

**Notes:**

- (1) Based on the issuance of 8,000,000 Series C Shares pursuant to the Offering for net proceeds to AltaGas from the Offering of approximately US\$194,000,000 after deducting the Underwriters' Fee of US\$6,000,000 (assuming no institutional sales of Series C Shares) and estimated expenses of the Offering of \$500,000. The expenses of the Offering will be paid from the general funds of AltaGas. See “*Plan of Distribution*”. Amounts in U.S. dollars have been translated to the Canadian dollar equivalent at the March 31, 2012 exchange rate of 0.9975.
- (2) Includes the Credit Facilities and the New Credit Facility, as defined under “*Glossary*” in the Prior Prospectus incorporated herein by reference. See “*Relationship Between Certain of the Underwriters and AltaGas*” for a summary of the amounts outstanding under the respective Credit Facilities and “*Acquisition of SEMCO – Financing the Acquisition*” in the Prior Prospectus incorporated herein by reference for a description of the New Credit Facility. The *pro forma* amount has been adjusted to include a net drawdown under the Credit facilities of approximately \$411,099,000 for the Acquisition (see note 3(f)(iii) of the Interim Pro Forma Financial Statements), reduced by the net proceeds of the Note Offering (as hereinafter defined) of \$199,194,000.
- (3) Medium term notes consist of: (a) \$200 million of 7.42% medium term notes due April 29, 2014; (b) \$100 million of 6.94% medium term notes due June 29, 2016; (c) \$200 million of 5.49% medium term notes due March 27, 2017; (d) \$175 million of 4.60% medium

- term notes due January 15, 2018; (e) \$200 million of 4.10% medium term notes due March 24, 2016; (f) \$200 million of 4.55% medium term notes due January 17, 2019; and (g) \$200 million of 4.07% medium term notes due June 2, 2020 (and which were issued subsequent to March 31, 2012) (the “**Note Offering**”).
- (4) Assumed Debt of SEMCO consists of the long term debt as disclosed in the SEMCO 2012 Q1 Financial Statements translated to the Canadian dollar equivalent at an exchange rate of 0.9975 and adjusted for the transaction as described in Note 3(f)(i) and (ii) to the Interim Pro Forma Financial Statements.
- (5) As at March 31, 2012, 4,956,130 options under AltaGas’ stock option plan were outstanding with a weighted average exercise price of \$22.55 per Common Share. The *pro forma* common shareholders’ equity has been adjusted to include Common Shares to be issued upon the exchange of the 13,915,000 subscription receipts (the “**Subscription Receipts**”) issued on February 22, 2012 at a price of \$29.00 per Subscription Receipt for aggregate gross proceeds of \$403 million (see note 3(g) of the Interim Pro Forma Financial Statements).

## PRICE RANGE AND TRADING VOLUME

### Common Shares

The Common Shares are listed and posted for trading on the TSX under the trading symbol “ALA”. The following table sets forth the price range for and trading volume of the Common Shares on the TSX for the period from April 2011 through May 29, 2012, as reported by the TSX.

	Price Range		Volume
	High (\$)	Low (\$)	
<b>2011</b>			
April .....	26.66	24.70	2,909,768
May .....	25.56	24.41	2,091,347
June .....	26.07	24.05	4,607,888
July .....	27.10	25.65	3,287,392
August .....	27.62	21.25	5,322,737
September .....	28.67	26.26	5,600,749
October .....	30.13	25.69	3,730,326
November .....	31.29	29.04	5,144,131
December .....	32.67	30.22	5,148,006
<b>2012</b>			
January.....	32.37	28.23	5,237,701
February .....	30.62	29.09	6,532,946
March.....	32.26	30.30	6,367,029
April.....	32.20	29.89	5,616,547
May (1-29) .....	32.31	29.25	5,156,436

### Preferred Shares, Series A

The cumulative redeemable 5-year rate reset Preferred Shares, Series A of AltaGas (the “**Preferred Shares, Series A**”) are listed and posted for trading on the TSX under the trading symbol “ALA.PR.A”. The following table sets forth the price range for and trading volume of the Preferred Shares, Series A on the TSX for the period from April 2011 through May 29, 2012, as reported by the TSX.

	Price Range		Volume
	High (\$)	Low (\$)	
<b>2011</b>			
April .....	25.83	25.45	127,363
May .....	25.90	25.50	109,145
June .....	25.93	25.30	121,514

	Price Range		Volume
	High (\$)	Low (\$)	
July .....	25.91	25.49	112,591
August .....	25.94	25.35	159,582
September .....	25.90	25.47	128,584
October .....	25.83	24.99	149,834
November .....	26.12	25.63	82,501
December .....	26.15	25.50	72,726
<b>2012</b>			
January .....	26.65	25.76	178,635
February .....	26.55	25.65	156,215
March.....	26.22	25.60	102,980
April.....	26.18	25.66	87,192
May (1-29) .....	26.26	25.92	162,193

### Subscription Receipts

The Subscription Receipts are listed and posted for trading on the TSX under the trading symbol “ALA.R”. The following table sets forth the price range for and trading volume of the Subscription Receipts on the TSX for the period from February 22, 2012 through May 29, 2012, as reported by the TSX.

	Price Range		Volume
	High (\$)	Low (\$)	
<b>2012</b>			
February (22-29) .....	30.06	28.70	1,514,615
March.....	31.62	29.66	1,111,833
April.....	31.85	29.45	759,073
May (1-29) .....	32.00	28.99	190,822

### PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the “**Underwriting Agreement**”) dated May 29, 2012 between AltaGas and the Underwriters, AltaGas has agreed to sell an aggregate of 8,000,000 Series C Shares to the Underwriters, and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase from AltaGas, as principals, such Series C Shares at a price of US\$25.00 per Series C Share payable in cash against delivery of such Series C Shares on the Offering Closing Date. The Underwriting Agreement provides that, in consideration of the services of the Underwriters in connection with the Offering, AltaGas will pay the Underwriters a fee of US\$0.25 per Series C Share issued and sold by AltaGas to certain institutions, and US\$0.75 per Series C Share for all other Series C Shares issued and sold by AltaGas as part of the Offering, for an aggregate fee payable by AltaGas of US\$6,000,000, assuming that no Series C Shares are sold to such institutions. The Underwriters’ fee is payable on the Offering Closing Date.

The terms of the Offering were established through negotiations between AltaGas and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several) and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Series C Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series C Shares, provided that, if the aggregate number of Series C Shares not purchased is less than or equal to 8% of the aggregate number of Series C Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series C Shares not taken up, on a *pro rata* basis or as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up

and pay for all Series C Shares if any Series C Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that AltaGas will indemnify the Underwriters and their respective directors, officers, shareholders, agents and employees against certain liabilities and expenses.

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

Subscriptions for Series C Shares will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice.

AltaGas has applied to the TSX to list the Series C Shares and Series D Shares. Listing will be subject to AltaGas fulfilling all the listing requirements of the TSX. There can be no assurance that the Series C Shares and the Series D Shares will be accepted for listing on the TSX.

AltaGas has agreed that, subject to certain exceptions, it shall not issue or agree to issue any Preferred Shares or other securities convertible into, or exchangeable for, Preferred Shares prior to 90 days after the Offering Closing Date without the prior consent of RBC, CIBC and Scotia on behalf of the Underwriters, which consent shall not be unreasonably withheld.

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

#### **RELATIONSHIP BETWEEN CERTAIN OF THE UNDERWRITERS AND ALTAGAS**

RBC, CIBC, Scotia, BMO, National, TD and HSBC are, directly or indirectly, subsidiaries or affiliates of Canadian chartered banks that are lenders to AltaGas or its subsidiaries. Accordingly, pursuant to applicable securities legislation, AltaGas may be considered a “connected issuer” of such Underwriters. As at May 28, 2012, neither AltaGas nor its subsidiaries were indebted under the New Credit Facility. As at May 28, 2012, AltaGas or its subsidiaries were indebted to a syndicate of lenders, including lender affiliates of such Underwriters, under the Syndicated Facility in the approximate amount of \$46 million and under the AUGI Facility in the approximate amount of \$165 million. As at May 28, 2012, AltaGas or its subsidiaries were also indebted to a lender affiliate of each of TD and CIBC in the approximate amount of \$52 million (including letters of credit) under the LC Credit Facility and to a non-affiliated lender in the approximate amount of \$119 million (including letters of credit) under the Bilateral Facility. The Credit Facilities and the New Credit Facility are unsecured. AltaGas and its subsidiaries, as applicable, are presently in compliance with the terms of such Credit Facilities and none of the lenders has waived a breach of the agreements governing such Credit Facilities since their execution. The consolidated financial position of AltaGas has not changed materially since the indebtedness under such Credit Facilities was incurred. See “*Use of Proceeds*”.

The decision to distribute Series C Shares pursuant to the Offering was made by AltaGas and the determination of the terms of the Offering was made through negotiations between AltaGas and the Underwriters.

The lender affiliates of such Underwriters did not have any involvement in such decision or determination but have each been advised of the Offering and the terms thereof. Each of the Underwriters will receive its proportionate share of the aggregate underwriting commission payable by AltaGas.

### EARNINGS COVERAGE

The following consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2011 and March 31, 2012 after giving effect to: (a) the repayment on January 19, 2012 of \$100 million 5.07% medium term notes (the “**Note Repayment**”); (b) the Note Offering, with pro forma effect of debt repayment; and (c) the issue of the Series C Preferred Shares pursuant to this Offering (collectively, the “**Adjustments**”). The earnings coverage ratio for the 12-month period ended December 31, 2011 has been calculated based on results reported in accordance with Canadian GAAP – Part V. The earnings coverage ratio for the 12-month period ended March 31, 2012 has been calculated based on results reported in accordance with U.S. GAAP. The earnings coverage ratios set out below do not purport to be indicative of earnings coverage ratios for any future period.

	<u>December 31, 2011</u>	<u>March 31, 2012</u>
Earnings Coverage.....	2.01 times	2.09 times

AltaGas’ dividend requirements on all of its Preferred Shares, after giving effect to the issue of the Series C Shares to be distributed under this prospectus supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 25%, amounted to approximately \$24.9 million for the 12 months ended December 31, 2011 and to approximately \$25.0 million for the 12 months ended March 31, 2012. AltaGas’ interest requirements, after giving effect to the Adjustments, amounted to approximately \$57.5 million and \$63.5 million for the 12 months ended December 31, 2011 and March 31, 2012, respectively. AltaGas’ earnings before interest and income tax for the 12 months ended December 31, 2011 and March 31, 2012 were approximately \$166.1 million and \$184.9 million, respectively, which are 2.01 times and 2.09 times AltaGas’ aggregate dividend and interest requirements for this period.

The following *pro forma* consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2011 and March 31, 2012 after giving effect to the Adjustments referred to above and the impact of the Acquisition. The *pro forma* earnings coverage ratio for the 12-month period ended December 31, 2011 has been calculated based on results reported in accordance with Canadian GAAP – Part V. The *pro forma* earnings coverage ratio for the 12-month period ended March 31, 2012 has been calculated based on results reported in accordance with U.S. GAAP. The *pro forma* earnings coverage ratios set out below do not purport to be indicative of earnings coverage ratios for any future period.

	<u>December 31, 2011</u>	<u>March 31, 2012</u>
<i>Pro Forma</i> Earnings Coverage.....	2.23 times	2.23 times

AltaGas’ dividend requirements on all of its Preferred Shares, after giving effect to the issue of the Series C Shares to be distributed under this prospectus supplement and the Acquisition, and adjusted to a before-tax equivalent using an effective income tax rate of 25%, amounted to approximately \$24.9 million for the 12 months ended December 31, 2011 and to approximately \$25.0 million for the 12 months ended March 31, 2012. AltaGas’ interest requirements, after giving effect to the Adjustments referred to above and the impact of the Acquisition, amounted to approximately \$83.6 million and \$89.9 million for the 12 months ended December 31, 2011 and March 31, 2012, respectively. AltaGas’ earnings before interest and income tax for the 12 months ended December 31, 2011 and March 31, 2012 were approximately \$241.8 million and \$256.3 million, respectively, which are 2.23 times and 2.23 times AltaGas’ aggregate dividend and interest requirements for this period.

## DETAILS OF THE OFFERING

The following is a summary of the principal rights, privileges, restrictions and conditions attaching to the Preferred Shares of AltaGas as a class and to be attached to the Series C Shares and Series D Shares. AltaGas will furnish on request a copy of the text of the provisions attaching to the Preferred Shares as a class and the Series C Shares and Series D Shares, each as a series and such provisions will also be available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Definition of Terms

The following definitions are relevant to the Series C Shares and the Series D Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the United States Government Bond Yield on the applicable Fixed Rate Calculation Date and 3.58%.

“**Bloomberg Screen USGG5YR Page**” means the display designated as page “USGG5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the USGG5YR page on that service) for purposes of displaying United States government bond yields.

“**Business Day**” means a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

“**Dividend Payment Date**” means the last day of March, June, September and December in each year commencing October 1, 2012.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date and 3.58%.

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

“**Initial Fixed Rate Period**” means the period from and including the date of issue of the Series C Shares to, but excluding, September 30, 2017.

“**Quarterly Commencement Date**” means the last day of March, June, September and December in each year, commencing September 30, 2017.

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

“**Series C Conversion Date**” means September 30, 2017, and September 30 in every fifth year thereafter.

“**Series D Conversion Date**” means September 30, 2022, and September 30 in every fifth year thereafter.

“**Subsequent Fixed Rate Period**” means, for the initial Subsequent Fixed Rate Period, the period from and including September 30, 2017 to, but excluding, September 30, 2022, and for each succeeding Subsequent Fixed Rate Period means the period from and including the day immediately following the last day of the immediately preceding Subsequent Fixed Rate Period to, but excluding, September 30 in the fifth year thereafter.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as an annual rate on three month United States Government treasury bills, as reported by the United States Treasury, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date as quoted on the Bloomberg Financial L.P. page “USB3MYD<INDEX>”.

“**United States Government Bond Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a United States dollar denominated non-callable United States Treasury bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and that appears on the Bloomberg Screen USGG5YR Page on such date; provided that if such rate does not appear on the Bloomberg Screen USGG5YR Page on such date, then the United States Government Bond Yield shall mean the arithmetic average of the yields quoted to AltaGas by two registered investment dealers selected by AltaGas as being the annual yield to maturity on such date, compounded semi-annually, that a non-callable United States Government bond would carry if issued, in United States dollars, at 100% of its principal amount on such date with a term to maturity of five years.

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

Subject to certain limitations, including that the number of Preferred Shares issuable in series at any time must have aggregate voting rights representing less than 50% of the voting rights attaching to the then issued and outstanding Common Shares, the Board of Directors may, from time to time, issue Preferred Shares in one or more series and determine for any such series, prior to any issuance, its designation, number of shares and respective rights, privileges, restrictions and conditions. The Preferred Shares, as a class, have, among others, provisions to the effect set forth below.

#### *Priority*

The Preferred Shares of each series shall rank on parity with the Preferred Shares of every other series with respect to accumulated dividends and return of capital, and shall be entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets of AltaGas in the event of a liquidation, dissolution or winding up of AltaGas, whether voluntary or involuntary, or any other distribution of the assets of AltaGas among its shareholders for the purpose of winding up its affairs.

#### *Changes in Terms*

The provisions attaching to the Preferred Shares as a class may be repealed, altered, modified, amended or amplified only with the approval of the holders of the Preferred Shares as a class. Any such approval to be given by the holders of the Preferred Shares may be given either by resolution in writing executed by all holders of the Preferred Shares entitled to vote on that resolution or passed by the affirmative vote of the holders of not less than  $66\frac{2}{3}$  per cent of the Preferred Shares represented and voted at a meeting or adjourned meeting of such holders.

### **Certain Provisions of the Series C Shares**

#### *Issue Price*

The Series C Shares will have an issue price of US\$25.00 per share.

#### *Dividends on Series C Shares*

During the Initial Fixed Rate Period, the holders of the Series C Shares shall be entitled to receive and AltaGas shall pay, as and when declared by the board of directors, out of the moneys of AltaGas properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of US\$1.10 per share, payable quarterly on each Dividend Payment Date in each year (less any tax required to be deducted or withheld by AltaGas). The first dividend, if declared, shall be payable on October 1, 2012, and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying US\$1.10 by the number of days in the period from and

including the date of issue of the Series C Shares to, but excluding, October 1, 2012, and dividing that product by 366, being the amount of US\$0.3473 per Series C Share.

During each Subsequent Fixed Rate Period, the holders of the Series C Shares shall be entitled to receive and AltaGas shall pay, as and when declared by the board of directors, out of the moneys of AltaGas properly applicable to the payment of dividends, fixed cumulative preferential cash dividends, payable quarterly on each Dividend Payment Date, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period by US\$25.00 (less any tax required to be deducted or withheld by AltaGas).

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

#### *Redemption of Series C Shares*

The Series C Shares shall not be redeemable prior to September 30, 2017. Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, on September 30, 2017, and on September 30 in every fifth year thereafter, AltaGas may, at its option, redeem all or any part of the Series C Shares by the payment of an amount in cash for each share to be redeemed equal to US\$25.00 plus all accrued and unpaid dividends thereon to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by AltaGas).

Notice of any redemption of Series C Shares will be given by AltaGas not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series C Shares are at any time to be redeemed, the shares so to be redeemed shall be redeemed *pro rata* (disregarding fractions).

#### *Conversion of Series C Shares into Series D Shares*

The Series C Shares shall not be convertible prior to September 30, 2017. Holders of Series C Shares shall have the right to convert on each Series C Conversion Date, subject to restrictions on conversion described below, all or any of their Series C Shares into Series D Shares on the basis of one Series D Share for each Series C Share. Notice of a holder’s intention to convert Series C Shares must be received by the transfer agent and registrar for the Series C Shares at its principal office in Toronto or Calgary not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series C Conversion Date. Once received by the transfer agent and registrar on behalf of AltaGas, the election of a holder to convert is irrevocable.

AltaGas shall, not more than 60 days and not less than 30 days prior to the applicable Series C Conversion Date, give notice to the then registered holders of the Series C Shares of the conversion right. On the 30<sup>th</sup> day prior to each Series C Conversion Date, AltaGas shall give notice to the then registered holders of the Series C Shares of the Annual Fixed Dividend Rate for the Series C Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series D Shares for the next succeeding Quarterly Floating Rate Period.

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

the applicable Series C Conversion Date and AltaGas shall give notice thereof to the then registered holders of such remaining Series C Shares at least seven days prior to the Series C Conversion Date.

AltaGas reserves the right not to deliver Series D Shares to any person that AltaGas or its transfer agent has reason to believe is a person whose address is in, or that AltaGas or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require AltaGas to take any action to comply with the securities laws of such jurisdiction. In those circumstances, AltaGas shall hold, as agent of any such person, all or the relevant number of Series D Shares, and AltaGas shall attempt to sell such Series D Shares to parties other than AltaGas and its affiliates on behalf of any such person. Such sales (if any) shall be made at such times and at such prices as AltaGas, in its sole discretion, may determine. AltaGas shall not be subject to any liability for failure to sell Series D Shares on behalf of any such person at all or at any particular price or on any particular day. The net proceeds received by AltaGas from the sale of any such Series D Shares shall be delivered to any such person, after deducting the costs of sale, by cheque or in any other manner determined by AltaGas.

If AltaGas gives notice to the holders of the Series C Shares of the redemption of all of the Series C Shares, the right of a holder of Series C Shares to convert such Series C Shares shall terminate and AltaGas shall not be required to give notice to the registered holders of the Series C Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series C Shares.

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

#### *Purchase for Cancellation*

Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, AltaGas may at any time or times purchase for cancellation all or any part of the Series C Shares at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

#### *Rights on Liquidation*

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

#### *Restrictions on Payments and Reductions of Capital*

So long as any Series C Shares are outstanding, AltaGas shall not:

- (a) call for redemption, purchase, reduce or otherwise pay for less than all the Series C Shares and all other Preferred Shares then outstanding ranking prior to or on parity with the Series C Shares with respect to payment of dividends,
- (b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of AltaGas ranking junior to the Series C Shares) on the Common Shares or any other shares of AltaGas ranking junior to the Series C Shares with respect to payment of dividends, or
- (c) call for redemption, purchase, reduce or otherwise pay for any shares of AltaGas ranking junior to the Series C Shares with respect to repayment of capital or with respect to payment of dividends,

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

#### *Creation or Issue of Additional Shares*

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

#### *Voting Rights*

The holders of the Series C Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series C Shares are in arrears to the extent of eight quarterly dividends, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of AltaGas properly applicable to the payment of the dividends. Until all arrears of dividends have been paid, holders of Series C Shares will be entitled to receive notice of and to attend all shareholders' meetings (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series C Share held with respect to the resolutions being voted on. At any time when any Series C Shares are outstanding AltaGas shall not issue additional Preferred Shares or undertake an issuer bid or other recapitalization transaction if the effect of such would be to immediately reduce the voting rights of the holders of the Series C Shares to less than one vote per share at any meeting or upon any written resolution of AltaGas shareholders where holders of Common Shares and Preferred Shares are each entitled to vote.

#### *Tax Election*

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

#### *Modification*

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

#### *Business Day*

If any day on which any dividend on the Series C Shares is payable by AltaGas or on or by which any other action is required to be taken by AltaGas is not a Business Day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a Business Day.

### **Certain Provisions of the Series D Shares**

#### *Issue Price*

The Series D Shares will be issuable only upon conversion of Series C Shares and will have an ascribed issue price of US\$25.00 per share.

### *Dividends on Series D Shares*

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

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

### *Redemption of Series D Shares*

Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, AltaGas may redeem all or any part of the Series D Shares by the payment of an amount in cash for each share to be redeemed equal to (i) US\$25.00 in the case of redemptions on any Series D Conversion Date, or (ii) US\$25.50 in the case of redemptions on any date after September 30, 2017 that is not a Series D Conversion Date, in each case plus all accrued and unpaid dividends thereon to, but excluding, the date fixed for redemption.

Notice of any redemption of Series D Shares will be given by AltaGas not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series D Shares are at any time to be redeemed, the shares so to be redeemed shall be redeemed *pro rata* (disregarding fractions).

### *Conversion of Series D Shares into Series C Shares*

The Series D Shares shall not be convertible prior to September 30, 2022. Holders of Series D Shares shall have the right to convert on each Series D Conversion Date, subject to restrictions on conversion described below, all or any of their Series D Shares into Series C Shares on the basis of one Series C Share for each Series D Share. Notice of a holder’s intention to convert Series D Shares must be received by the transfer agent and registrar for the Series D Shares at its principal office in Toronto or Calgary not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series D Conversion Date. Once received by the transfer agent and registrar on behalf of AltaGas, the election of a holder to convert is irrevocable.

AltaGas shall, not more than 60 days and not less than 30 days prior to the applicable Series D Conversion Date, give notice to the then registered holders of the Series D Shares of the conversion right. On the 30<sup>th</sup> day prior to each Series D Conversion Date, AltaGas shall give notice to the then registered holders of the Series D Shares of the Annual Fixed Dividend Rate for the Series C Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series D Shares for the next succeeding Quarterly Floating Rate Period.

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

the applicable Series D Conversion Date and AltaGas shall give notice thereof to the then registered holders of such remaining Series D Shares at least seven days prior to the Series D Conversion Date.

AltaGas reserves the right not to deliver Series C Shares to any person that AltaGas or its transfer agent has reason to believe is a person whose address is in, or that AltaGas or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require AltaGas to take any action to comply with the securities laws of such jurisdiction. In those circumstances, AltaGas shall hold, as agent of any such person, all or the relevant number of Series C Shares, and AltaGas shall attempt to sell such Series C Shares to parties other than AltaGas and its affiliates on behalf of any such person. Such sales (if any) shall be made at such times and at such prices as AltaGas, in its sole discretion, may determine. AltaGas shall not be subject to any liability for failure to sell Series C Shares on behalf of any such person at all or at any particular price or on any particular day. The net proceeds received by AltaGas from the sale of any such Series C Shares shall be delivered to any such person, after deducting the costs of sale, by cheque or in any other manner determined by AltaGas.

If AltaGas gives notice to the holders of the Series D Shares of the redemption of all of the Series D Shares, the right of a holder of Series D Shares to convert such Series D Shares shall terminate and AltaGas shall not be required to give notice to the registered holders of the Series D Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series D Shares.

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

#### *Purchase for Cancellation*

Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, AltaGas may at any time or times purchase for cancellation all or any part of the Series D Shares at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

#### *Rights on Liquidation*

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

#### *Restrictions on Payments and Reductions of Capital*

So long as any Series D Shares are outstanding, AltaGas shall not:

- (a) call for redemption, purchase, reduce or otherwise pay for less than all the Series D Shares and all other Preferred Shares then outstanding ranking prior to or on parity with the Series D Shares with respect to payment of dividends,
- (b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of AltaGas ranking junior to the Series D Shares) on the Common Shares or any other shares of AltaGas ranking junior to the Series D Shares with respect to payment of dividends, or
- (c) call for redemption, purchase, reduce or otherwise pay for any shares of AltaGas ranking junior to the Series D Shares with respect to repayment of capital or with respect to payment of dividends,

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

*Creation or Issue of Additional Shares*

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

*Voting Rights*

The holders of the Series D Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series D Shares are in arrears to the extent of eight quarterly dividends, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of AltaGas properly applicable to the payment of the dividends. Until all arrears of dividends have been paid, holders of Series D Shares will be entitled to receive notice of and to attend all shareholders' meetings (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series D Share held with respect to the resolutions being voted on. At any time when any Series D Shares are outstanding AltaGas shall not issue additional Preferred Shares or undertake an issuer bid or other recapitalization transaction if the effect of such would be to immediately reduce the voting rights of the holders of the Series D Shares to less than one vote per share at any meeting or upon any written resolution of AltaGas shareholders where holders of Common Shares and Preferred Shares are each entitled to vote.

*Tax Election*

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

*Modification*

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

*Business Day*

If any day on which any dividend on the Series D Shares is payable by AltaGas or on or by which any other action is required to be taken by AltaGas is not a Business Day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a Business Day.

**DEPOSITORY SERVICES**

The Series C Shares and Series D Shares will be issued in "book entry only" form and must be purchased or transferred through a participant in the CDS depository service ("**CDS Participant**"). AltaGas will cause a global certificate or certificates representing any newly issued Series C Shares or Series D Shares to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Series C Shares or Series D Shares must be exercised through, and all payments or other property to which such holder of Series C Shares or Series D Shares, as

the case may be, is entitled, will be made or delivered by, CDS or the CDS Participant through which the holder of Series C Shares or Series D Shares holds such shares. Each person who acquires Series C Shares or Series D Shares will receive only a customer confirmation of purchase from the registered dealer from or through which the Series C Shares or Series D Shares are acquired in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book entry accounts for its CDS Participants having interests in the Series C Shares or Series D Shares.

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

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

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

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

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

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

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

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposals**”), existing case law and Counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency. This summary assumes the Proposals will be enacted in the form proposed; however, no assurance can be given that the Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder of Series C Shares or Series D Shares. No representations are made with respect to the income tax consequences to any particular Holder. Consequently, prospective Holders should consult their own tax advisers with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Series C Shares or the Series D Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

#### *Foreign Currency Conversion*

For purposes of the Tax Act, all amounts relating to the acquisition, holding, conversion or disposition of Series C Shares or Series D Shares, as the case may be, including amounts relevant to the computation of actual and deemed dividends on the Series C Shares or the Series D Shares and the adjusted cost base, paid-up capital and proceeds of disposition relating to those shares, must be converted into Canadian dollars using the Bank of Canada noon rate on the day on which the amount first arose or such other rate of exchange as is acceptable to the Minister of National Revenue.

#### *Dividends*

Dividends (including deemed dividends) received (or deemed to be received) on the Series C Shares or the Series D Shares, as the case may be, by an individual (other than certain trusts) will be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of “eligible dividends” received from taxable Canadian corporations, such as AltaGas, if such dividends have been designated as eligible dividends by AltaGas at or before the time of payment. By notice in writing on AltaGas’ website, AltaGas has designated all dividends paid by AltaGas after July 1, 2010 to be “eligible dividends” within the meaning of the Tax Act unless otherwise notified.

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

Dividends (including deemed dividends) received on the Series C Shares or the Series D Shares, as the case may be, by a Holder which is a corporation will be included in computing the Holder’s income and will generally be deductible in computing the Holder’s taxable income. A “private corporation”, as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series C Shares or the Series D Shares, as the case may be, to the extent such dividends are deductible in computing its taxable income.

The Series C Shares and the Series D Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series C Shares and the Series D Shares require AltaGas to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series C Shares or the Series D Shares.

### *Dispositions*

A Holder who disposes of or is deemed to dispose of Series C Shares or Series D Shares (on the redemption of such shares or otherwise but not including on a conversion of Series C Shares into Series D Shares or a conversion of Series D Shares into Series C Shares) will generally realize a capital gain (or a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by AltaGas of Series C Shares or Series D Shares, as the case may be, will generally not be included in computing the Holder's proceeds of disposition for purposes of computing the capital gain (or capital loss) arising on the disposition of such Series C Shares or Series D Shares, as the case may be. See "*— Redemption*" below. If the Holder is a corporation, any capital loss arising on a disposition of a Series C Share or a Series D Share, as the case may be, may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received (or deemed to be received) on the Series C Share or Series D Share or any share which was converted into such share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Generally, one-half of any capital gain will be included in computing the Holder's income in the year of disposition as a taxable capital gain and one-half of any capital loss (an "**allowable capital loss**") must be deducted from the Holder's taxable capital gains in the year of disposition. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other taxation years. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax at a rate of  $6\frac{2}{3}\%$ .

### *Redemption*

If AltaGas redeems Series C Shares or Series D Shares, or otherwise acquires or cancels Series C Shares or Series D Shares (other than by a purchase by AltaGas of the shares in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by AltaGas in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. As discussed above under "*Foreign Currency Conversion*", all amounts relating to the acquisition, holding, conversion or disposition of the Series C Shares or Series D Shares must be converted to Canadian dollars using the applicable exchange rate at the time the relevant amount first arose. Changes in the exchange rate of Canadian and US dollars between the date of issuance of the Series C Shares or Series D Shares, as the case may be, which are relevant to the computation of the paid-up capital of such shares, and the date of redemption, which is relevant to the computation of the redemption proceeds for such shares, may affect the computation of any such deemed dividend. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "*— Dispositions*" above. In the case of a corporate holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

### *Conversion*

The conversion of Series C Shares into Series D Shares and the conversion of Series D Shares into Series C Shares will not constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss. The cost to a Holder of the Series D Shares or Series C Shares, as the case may be, received on the conversion will, subject to the cost averaging rules contained in the Tax Act, be deemed to be equal to the Holder's adjusted cost base of the converted Series C Shares or Series D Shares, as the case may be, immediately before the conversion. As discussed above under "*Foreign Currency Conversion*", all amounts relating to the acquisition, holding, conversion or disposition of the Series C Shares or Series D Shares must be converted to Canadian dollars using the applicable exchange rate at the time the relevant amount first arose. The amount added to the paid-up capital of the Series D Shares or the Series C Shares, as the case may be, issuable on a conversion is limited to the lesser of the aggregate paid-up capital of the shares being converted and the then Canadian dollar equivalent of the aggregate fair market value of the shares being converted. Accordingly, changes in the exchange

rate of Canadian and US dollars between the date of issuance of the Series C Shares or Series D Shares, as the case may be, and the date of a conversion of such shares into Series D Shares or Series C Shares could result in Holders of the Series D Shares or the Series C Shares, as the case may be, having a per share paid-up capital amount that is less than the per share paid-up capital amount prior to the conversion. This reduction in the paid-up capital of the Series C Shares or the Series D Shares could result in a dividend or an increase in the amount of the dividend, deemed to be received by Holders of Series C Shares or Series D Shares, as the case may be, on a subsequent redemption, acquisition or purchase for cancellation by AltaGas of such shares that may not have otherwise arisen had there not been change to the exchange rate and a conversion of shares from one series to another. See “*Dispositions*” above.

## RATINGS

The Series C Shares have been provisionally rated Pfd-3 by DBRS and P-3 (High) by S&P under its Canadian preferred share rating scale and BB+ under its global preferred rating scale (DBRS and S&P are each a “**Rating Agency**”). The rating trend from DBRS is stable. Ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The Rating Agencies’ ratings for preferred shares range from a high of Pfd-1 to a low of D for DBRS and from a high of P-1 to a low of D for S&P.

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

A P-3 rating by S&P is the third highest of eight categories granted by S&P under its Canadian preferred share rating scale and directly corresponds with a BB+ rating under its global preferred rating scale. The Canadian preferred share rating scale is fully determined by the global preferred rating scale and there are no additional analytical criteria associated with the determination of ratings on the Canadian preferred share rating scale. According to the S&P rating system, while securities rated P-3 are regarded as having significant speculative characteristics, they are less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation. The ratings from P-1 to P-5 may be modified by “high” and “low” grades which indicate relative standing within the major rating categories.

The ratings accorded to the Series C Shares by the Rating Agencies are not recommendations to purchase, hold or sell such shares inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if, in its judgment, circumstances so warrant. The lowering of any rating of the Series C Shares may negatively affect the quoted market price, if any, of such shares.

AltaGas has paid each of DBRS and S&P their customary fees in connection with the provision of the ratings described above and elsewhere in this prospectus supplement and in the accompanying Prospectus. AltaGas has not made any payments to DBRS or S&P for services unrelated to the provision of such ratings.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, subject to the provisions of any particular plan, the Series C Shares offered hereby, if issued on the date hereof, generally would be qualified investments under the Tax Act and the Regulations for a trust governed by a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan, or a tax-free savings account (“**TFSA**”).

Notwithstanding that the Series C Shares will be a qualified investment for a RRSP, RRIF or TFSA, the annuitant of a RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax on the Series C Shares held in the RRSP, RRIF or TFSA, as the case may be, if such Series C Shares are a “prohibited investment” for the purposes of section 207.01 of the Tax Act. The Series C Shares will not be a “prohibited investment” for a RRSP, RRIF or TFSA provided that the annuitant of the RRSP or RRIF or the holder of the TFSA deals at arm’s length with AltaGas for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in AltaGas or in any corporation, partnership or trust with which AltaGas does not deal at arm’s length for purposes of the Tax Act.

**Prospective investors who intend to hold Series C Shares in a RRSP, RRIF or TFSA should consult their own tax advisors regarding their particular circumstances.**

## **RISK FACTORS**

An investment in the Series C Shares offered hereunder involves certain risks. In addition to the other information contained in this prospectus supplement and the accompanying Prospectus, and in the documents incorporated by reference herein and therein (including without limitation the risk factors set forth under the headings “*Risk Factors – Risks Related to the Acquisition*” and “*Risk Factors – Risks Related to the Business of SEMCO*” in the Prior Prospectus) and therein, prospective purchasers of Series C Shares should consider carefully the risk factors set forth below as well as the risk factors referenced in the accompanying Prospectus under the heading “*Risk Factors*”.

### **Market for Securities**

There is currently no market through which the Series C Shares may be sold and purchasers of Series C Shares may not be able to resell the Series C Shares purchased under this prospectus supplement. The Offering Price for the Series C Shares and the number of Series C Shares to be issued has been determined by negotiations among AltaGas and the Underwriters. The price paid for each Series C Share may bear no relationship to the price at which the Series C Shares will trade in the public market subsequent to this Offering. AltaGas cannot predict at what price the Series C Shares will trade and there can be no assurance that an active trading market will develop for the Series C Shares or, if developed, that such market will be sustained. AltaGas has applied to list and post for trading the Series C Shares and Series D Shares on the TSX. Listing will be subject to AltaGas fulfilling all the listing requirements of the TSX. There can be no assurance that the Series C Shares and Series D Shares will be accepted for listing on the TSX.

### **Market Price**

The market price of the Series C Shares and Series D Shares may fluctuate due to a variety of factors relative to AltaGas’ business, including announcements of new developments, fluctuations in AltaGas’ operating results, sales of the Series C Shares and Series D Shares in the marketplace, failure to meet analysts’ expectations, any public announcements made in regard to this Offering, the impact of various tax laws or rates and general market conditions or the worldwide economy. In recent years, stock markets have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the Series C Shares and Series D Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to AltaGas’ performance.

In addition, the value of Series C Shares and Series D Shares will be affected by the general creditworthiness of AltaGas. AltaGas’ AIF for the year ended December 31, 2011, AltaGas’ 2011 MD&A for the year ended December 31, 2011 and AltaGas’ 2012 Q1 MD&A for the three month period ended March 31, 2012 are incorporated by reference in this prospectus supplement. These documents discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on AltaGas’ business, financial condition or results of operations. See also the discussion under “*Earnings Coverage*”, which is relevant to an assessment of the risk AltaGas will be unable to pay dividends on the Series C Shares and Series D Shares or pay amounts due upon the liquidation, dissolution or winding-up of AltaGas.

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

### **Ratings**

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

### **Insolvency or Winding-Up**

The Series C Shares and Series D Shares are equity capital of AltaGas which rank equally with any other Preferred Shares that may be issued by AltaGas from time to time, in the event of an insolvency or winding-up of AltaGas. If AltaGas becomes insolvent or is wound up, AltaGas' assets must be used to pay liabilities and other debt before payments may be made on the Series C Shares, Series D Shares and other Preferred Shares, if any.

### **Automatic Conversion**

An investment in the Series C Shares may become an investment in Series D Shares without the consent of the holder in the event of an automatic conversion of the Series C Shares into Series D Shares. Upon such automatic conversion, the dividend rate on the Series D Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time. In addition, holders may be prevented from converting their Series C Shares into Series D Shares in certain circumstances. See "*Details of the Offering*".

In addition, once Series C Shares have been converted to Series D Shares, an investment in those Series D Shares may revert to an investment in Series C Shares without the consent of the holder in the event of an automatic conversion of the Series D Shares into Series C Shares. Upon such automatic conversion, the dividend rate on the Series C Shares will be a fixed rate that is adjusted every five years by reference to the United States Government Bond Yield which may vary from time to time. In addition, holders may be prevented from converting their Series D Shares into Series C Shares in certain circumstances. See "*Details of the Offering*".

### **No Fixed Maturity**

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

### **Dividends**

The dividend rate in respect of the Series C Shares and Series D Shares will, following the Initial Fixed Rate Period, reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Dividends on the Series C Shares and Series D Shares are payable at the discretion of the Board of Directors. AltaGas may not declare or pay a dividend if there are reasonable grounds for believing that (i) AltaGas is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of AltaGas' assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

Investments in the Series D Shares, given their floating interest component, entail risks not associated with investments in the Series C Shares. The resetting of the applicable rate on a Series D Share may result in a lower yield compared to fixed rate Series C Shares. The applicable rate on a Series D Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which AltaGas has no control. See “*Details of the Offering — Certain Provisions of the Series D Shares — Dividends on Series D Shares*”.

### **Redeemable**

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

### **EXPERTS**

The auditors of AltaGas are Ernst & Young LLP, Chartered Accountants, 1000, 440 - 2<sup>nd</sup> Avenue S.W., Calgary, Alberta, T2P 5E9. Ernst & Young LLP is independent of AltaGas in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

### **LEGAL MATTERS**

Certain legal matters in connection with the issuance of the Series C Shares will be passed upon on behalf of AltaGas by Stikeman Elliott LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. As at the date of this prospectus supplement, the partners and associates of Stikeman Elliott LLP and the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares of AltaGas.

**CONSENT OF ERNST & YOUNG LLP**

We have read the short form base shelf prospectus of AltaGas Ltd. (the “**Company**”) dated December 7, 2011, as supplemented by the prospectus supplement dated May 30, 2012, relating to the sale and issue of cumulative redeemable 5-year rate reset preferred shares, Series C (collectively, the “**Prospectus**”) of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2011 and 2010, and the consolidated statements of income, comprehensive income and accumulated other comprehensive (loss) income, equity and cash flows for each of the years in the two-year period ended December 31, 2011. Our report is dated March 7, 2012.

Calgary, Canada,  
May 30, 2012

(signed) “*Ernst & Young LLP*”  
Chartered Accountants

**CONSENT OF PRICEWATERHOUSECOOPERS LLP**

We have read the short form prospectus of AltaGas Ltd. (“**AltaGas**”) dated December 7, 2011, as supplemented by the prospectus supplement dated May 30, 2012, relating to the sale and issue of cumulative redeemable 5-year rate reset preferred shares, Series C (collectively the “**Prospectus**”) of AltaGas. We have complied with auditing standards generally accepted in the United States for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the directors and shareholder of SEMCO Holding Corporation (“**SEMCO**”) on the consolidated statements of financial position and of capitalization of SEMCO at December 31, 2011 and 2010 and the related statements of operations, of changes in equity and comprehensive income and of cash flows for each of the years in the three-year period ended December 31, 2011. Our report is dated March 26, 2012.

Detroit, Michigan  
May 30, 2012

(signed) “*PricewaterhouseCoopers LLP*”

**CERTIFICATE OF THE UNDERWRITERS**

Dated: May 30, 2012

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

**RBC DOMINION  
SECURITIES INC.**

**CIBC WORLD MARKETS  
INC.**

**SCOTIA CAPITAL INC.**

By: (signed) Trevor Gardner

By: (signed) Kelsen Vallee

By: (signed) Cameron Goldade

**BMO NESBITT BURNS INC.**

**NATIONAL BANK  
FINANCIAL INC.**

**TD SECURITIES INC.**

By: (signed) Sean M. Brown

By: (signed) Iain Watson

By: (signed) Alec W.G. Clark

**HSBC SECURITIES (CANADA) INC.**

By: (signed) Greg Gannett

**MACQUARIE CAPITAL MARKETS  
CANADA LTD.**

By: (signed) Paul Huebener

**BEACON SECURITIES  
LIMITED**

**FIRSTENERGY CAPITAL  
CORP.**

**PETERS & CO. LIMITED**

By: (signed) Jane M. Smith

By: (signed) Erik B. Bakke

By: (signed) Blair C. Ward