

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 August 10, 2015 (the “Prospectus”) to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the Prospectus or this prospectus supplement 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 K 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 (the “U.S. Securities Act”), or any state securities laws and may not be offered or sold in the United States of America or to or for the account of U.S. persons (as defined in Regulation S under the U.S. Securities Act). See “Plan of Distribution”.

Information has been incorporated by reference in the Prospectus and 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 and General Counsel of AltaGas (as hereinafter defined) at 1700, 355 – 4th Avenue S.W., Calgary, Alberta, T2P 0J1 (telephone (403) 691-7575) and are also available electronically at www.sedar.com.

**PROSPECTUS SUPPLEMENT
To a Short Form Base Shelf Prospectus Dated August 10, 2015**

New Issue

February 15, 2017

The logo for AltaGas, featuring the word "AltaGas" in a bold, blue, sans-serif font. The "A" and "G" are significantly larger than the other letters, and the "t" is lowercase. The "a" and "s" are also lowercase.

**ALTAGAS LTD.
\$300,000,000**

12,000,000 Cumulative Redeemable 5-Year Minimum Rate Reset Preferred Shares, Series K

AltaGas Ltd. (“AltaGas”) is hereby qualifying the distribution (the “**Preferred Offering**”) of 12,000,000 cumulative redeemable 5-year minimum rate reset preferred shares, Series K (the “**Series K Shares**”) of AltaGas at a price of \$25.00 per Series K Share (the “**Offering Price**”). See “*Details of the Preferred Offering*” and “*Plan of Distribution*”.

The holders of Series K 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 K Shares to, but excluding, March 31, 2022 (the “**Initial Fixed Rate Period**”), at an annual rate of \$1.25 per Series K 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 February 22, 2017, the first dividend, if declared, will be payable June 30, 2017, in the amount of \$0.4384 per share. See “*Details of the Preferred Offering*”.

For each five-year period after the Initial Fixed Rate Period (each a “**Subsequent Fixed Rate Period**”), the holders of Series K 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 \$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 Government of Canada Yield (as hereinafter defined) on

the applicable Fixed Rate Calculation Date plus 3.80%, provided that, in any event, such rate shall not be less than 5.00%. See “*Details of the Preferred Offering*”.

The Series K Shares shall not be redeemable prior to March 31, 2022. On March 31, 2022, and on March 31 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 K Shares by the payment of \$25.00 per Series K Share plus all accrued and unpaid dividends (less any tax required to be deducted or withheld by AltaGas). See “*Details of the Preferred Offering*”.

Option to Convert into Series L Shares

The holders of the Series K Shares will have the right to convert all or any of their shares into cumulative redeemable floating rate preferred shares, Series L of AltaGas (the “**Series L Shares**”), subject to certain conditions, on March 31, 2022 and on March 31 in every fifth year thereafter. The holders of the Series L 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 \$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 3.80%. See “*Details of the Preferred Offering*”.

The Series K Shares and Series L 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 K Shares and Series L Shares are identical in all material respects. See “*Details of the Preferred Offering*”.

Price: \$25.00 per Series K Share to initially yield 5.00% per annum

| | Price to the Public | Underwriters’ Fee⁽¹⁾ | Net Proceeds to AltaGas⁽²⁾ |
|--------------------------|--------------------------------|--|--|
| Per Series K Share | \$25.00 | \$0.75 | \$24.25 |
| Total | \$300,000,000.00 | \$9,000,000.00 | \$291,000,000 |

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

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

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

The Toronto Stock Exchange (the “**TSX**”) has conditionally approved the listing of the Series K Shares and the Series L Shares. Listing of the Series K Shares is subject to AltaGas fulfilling all the listing requirements of the

TSX on or before May 16, 2017. Listing of the Series L Shares is subject to AltaGas fulfilling all the listing requirements of the TSX, including the public distribution requirements of the Series L Shares, at the applicable time. There can be no assurance that the Series K Shares and Series L Shares will be accepted for listing on the TSX.

It is currently anticipated that the closing date of the Preferred Offering (the “**Preferred Offering Closing Date**”) will be on or about February 22, 2017, or such later date as AltaGas and the Underwriters may agree but in any event not later than March 10, 2017. See “*Details of the Preferred Offering*”.

CIBC World Markets Inc. (“**CIBC**”), BMO Nesbitt Burns Inc. (“**BMO**”), National Bank Financial Inc. (“**National**”) and Scotia Capital Inc. (“**Scotia**”) and collectively with CIBC, BMO and National, the “**Co-Lead Underwriters**”), RBC Dominion Securities Inc. (“**RBC**”), TD Securities Inc. (“**TD**”), HSBC Securities (Canada) Inc. (“**HSBC**”), AltaCorp Capital Inc. (“**AltaCorp**”), Beacon Securities Limited, Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., MUFG Securities (Canada), Ltd., Peters & Co. Limited and Raymond James Ltd. (collectively with the Co-Lead Underwriters, the “**Underwriters**”), as principals, conditionally offer the Series K 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 Preferred Share Underwriting Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal matters relating to the Preferred 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 K 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 Preferred Offering Closing Date. A purchaser of Series K Shares will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Series K Shares are purchased. See “*Depository Services*”.

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

In the opinion of Counsel, the Series K 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 K Shares involves certain risks. See “*Risk Factors*” in the accompanying Prospectus and in this prospectus supplement.

The earnings coverage ratio in respect of AltaGas’ indebtedness for the 12 month period ended December 31, 2015 after giving effect to the issuance of the Series K Shares pursuant to this Preferred Offering, the issuance on April 7, 2016 of \$350 million 4.12% medium term notes, Series 17, due April 7, 2026 and the repayment at maturity on March 24, 2016 of US\$200 million of floating rate medium term notes, is less than one-to-one. The incremental dollar amount of the numerator for the earnings coverage ratio for the 12 months ended December 31, 2015 that would be required to achieve a ratio of one-to-one is \$11.0 million. See “*Earnings Coverage*”.

CIBC, BMO, National, Scotia, RBC, TD and HSBC are, directly or indirectly, subsidiaries or affiliates of financial institutions that are lenders to AltaGas or its subsidiaries. In addition, ATB Financial is a minority shareholder of AltaCorp and is an affiliate of Alberta Treasury Branches, which is also a lender 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 K 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 K Shares offered hereunder. Defined terms or abbreviations used in this prospectus supplement that are not defined herein have the meanings ascribed thereto in the Prospectus or in the Prior Prospectus under the heading “*Glossary*” (which section is incorporated in the Prospectus by reference).

Prospective investors should rely only on the information contained in this prospectus supplement and contained or incorporated by reference into 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 has previously filed with the securities regulatory authority in each of the provinces of Canada that is incorporated 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.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying Prospectus solely for the purposes of the Preferred Offering of the Series K 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:

- (a) the annual information form of AltaGas dated March 23, 2016 for the year ended December 31, 2015 (the “**AIF**”);

- (b) the audited consolidated financial statements of AltaGas and notes thereto as at and for the years ended December 31, 2015 and 2014, together with the auditors' report thereon, and management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2015 (the "**2015 MD&A**");
- (c) the unaudited consolidated financial statements of AltaGas and notes thereto as at and for the three and nine months ended September 30, 2016 and 2015, and the management's discussion and analysis of results of operations and financial condition for the three and nine months ended September 30, 2016 (the "**2016 Q3 MD&A**");
- (d) the information circular dated March 11, 2016 relating to the annual and special meeting of holders of Common Shares of AltaGas held on April 20, 2016; and
- (e) the material change report dated February 2, 2017 relating to the proposed acquisition (the "**Acquisition**") by AltaGas, indirectly through Wrangler Inc. ("**Merger Sub**"), of WGL Holdings, Inc. ("**WGL**") pursuant to an agreement and plan of merger (as such agreement may be amended or amended and restated from time to time, the "**Merger Agreement**"), the Offering and the Concurrent Private Placement (each as defined herein);
- (f) the sections entitled:
 - i. "*Presentation of Financial Information*";
 - ii. "*Caution Regarding Unaudited Pro Forma Consolidated Financial Statements*";
 - iii. "*Non-GAAP Financial Measures*";
 - iv. "*Third Party Sources and Industry Data*";
 - v. "*Acquisition of WGL*";
 - vi. "*Risk Factors – Risks Related to the Acquisition*";
 - vii. "*Risk Factors – Risks Related to the Business of WGL*";
 - viii. "*Glossary*"; and
 - ix. "*Financial Statements*",

of the short form prospectus supplement of AltaGas dated January 27, 2017 (the "**Prior Prospectus**");
- (g) the unaudited condensed consolidated financial statements of WGL and Washington Gas Light Company ("**Washington Gas**") as at December 31, 2016 and for the three months ended December 31, 2016, filed on February 15, 2017; and
- (h) the "template version" (as defined in National Instrument 41-101 – *General Prospectus Requirements* ("**NI 41-101**")) of the term sheet for the Series K Shares and the Series L Shares (the "**Initial Term Sheet**") filed on February 13, 2017 and the template version of the revised term sheet for the Series K Shares and the Series L Shares (the "**Revised Term Sheet**") filed on February 13, 2017.

Any documents of the type referred to above (excluding confidential material change 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 Preferred Offering shall be deemed to be incorporated by reference into the

Prospectus for the purposes of this Preferred Offering. These documents are available through the internet on SEDAR, which can be accessed at 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. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the Prospectus.

MARKETING MATERIALS

The template version of the Initial Term Sheet, the template version of the Revised Term Sheet and any template version of any other “marketing materials” (as defined in NI 41-101) that is used by the Underwriters in connection with the Preferred Offering does not form part of this prospectus supplement to the extent that the contents of the template version of such marketing materials have been modified or superseded by a statement contained in this prospectus supplement.

Statements included in the template version of the Initial Term Sheet relating to the size of the Preferred Offering, including the number of Series K Shares being distributed pursuant to the Preferred Offering and AltaGas granting an option to the Underwriters to purchase additional Series K Shares, have been modified in view of disclosure contained in this prospectus supplement to reflect the increase in the number of Series K Shares being distributed pursuant to the Preferred Offering from what was disclosed in the Initial Term Sheet and the elimination of the option granted to the Underwriters. See disclosure on the cover page of this prospectus supplement and under “*Details of the Preferred Offering*”. Pursuant to Section 9A.3(7) of National Instrument 44-102 – *Shelf Distributions*, AltaGas has prepared a revised template version of the Initial Term Sheet, being the Revised Term Sheet, which has been blacklined to show the modified statements discussed herein.

The Revised Term Sheet and the blacklined version thereof have been filed with the securities commissions or similar authorities in each of the provinces of Canada and can be viewed under AltaGas’ profile at www.sedar.com. Any template version of any other marketing materials that has been, or will be, filed under AltaGas’ profile on SEDAR at www.sedar.com before the termination of the distribution under the Preferred Offering (including any further amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into the Prospectus.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the Prospectus and the documents incorporated by reference in the Prospectus contain forward-looking statements. When used in this prospectus supplement, the Prospectus and the documents incorporated by reference in the Prospectus, 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 in the Prospectus 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. See “*Note Regarding Forward Looking Statements*” in the Prospectus.

This prospectus supplement also contains forward-looking statements with respect to the Preferred Offering, including in respect of the use of proceeds from the Preferred Offering and the expected closing date of the Preferred Offering and incorporates by reference forward-looking statements with respect to:

- the Offering and the Concurrent Private Placement, including in respect of the use of proceeds from the Offering and the Concurrent Private Placement and the expected Offering Closing Date;
- expected AltaGas financial performance;
- the Acquisition (as set forth under “*Acquisition of WGL – The Acquisition*” and “*Acquisition of WGL – Acquisition Rationale*” in the Prior Prospectus), including:
 - the expected Closing Date;
 - the aggregate cash consideration payable by Merger Sub in connection therewith and the anticipated sources of financing thereof;
 - expected future senior debt, hybrid security, equity or equity-linked security (including any Preferred Shares (as defined herein) or convertible debentures) financings;
 - planned asset divestitures;
 - anticipated benefits of the Acquisition, including:
 - the combination of AltaGas and WGL and related performance, including, without limitation, the portfolio of assets of the combined entity, nature, number, value and timing of growth and investment opportunities available to AltaGas;
 - the quality and growth potential of the assets;
 - the strategic focus of the business;
 - the combined rate base and rate base growth;
 - EPS accretion and normalized FFOPS accretion, both in the first full year following the Acquisition and over the period to 2021;
 - growth on an absolute dollar and per share basis;
 - strength of earnings including, without limitation, EPS, FFOPS and EBITDA growth rate through 2021;
 - annual dividend growth rate and dividend payout ratios;
 - the ability of the combined entity to target higher growth markets, high growth franchise areas, and other growth markets;
 - the liquidity of the combined entity and its ability to maintain an investment grade credit rating;
 - the location of headquarters for the U.S. utility business, the local governance of WGL after the acquisition, the compatibility of the corporate cultures, the leveraging of respective core competencies and strategies, the retention and role

of WGL employees and the holding of significant roles for existing WGL management;

- the ability to deliver high quality service at reasonable rates;
 - the fact that closing of the Acquisition is conditioned on certain events occurring;
 - utility segment customers;
 - the geographical and industry diversification of its business;
 - the stability of cash flows and of AltaGas' business;
 - the growth potential available to AltaGas in clean energy, natural gas generation and retail energy services;
 - the significance and growth potential and expectations for growth in the Montney and Marcellus/Utica;
 - the strength of AltaGas and WGL as utility operators;
 - intentions for further investment in Virginia, Maryland and Washington D.C.;
 - expectations for normalized EBITDA allocation geographically and by business segments;
 - expected timing and capital expenditures for certain AltaGas and WGL projects and expected capital investment by business segment;
 - future growth financing strategies and long-term target business mix;
- the receipt of all necessary regulatory, shareholder and stock exchange approvals; and
 - the entering into, the terms of, and the anticipated indebtedness to be incurred under, the Bridge Facility (as hereinafter defined).

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, interest rate and foreign exchange rate risk and general economic conditions and the other factors described under the heading "*Risk Factors*" in the AIF and in the Prospectus. The material assumptions in making these forward-looking statements are disclosed in the AIF and the 2015 MD&A, respectively, as may be modified or superseded by documents incorporated or deemed to be incorporated by reference in the Prospectus, under the headings set forth above and comparable sections in the 2016 Q3 MD&A and, in relation to the Acquisition and the Offering, include the following material assumptions:

- the timing and completion of the Acquisition, including receipt of Regulatory Approvals and WGL Shareholder Approval;
- the timing and completion of the Offering and the Concurrent Private Placement;

- fulfillment by the underwriters of the Offering of their obligations pursuant to the Underwriting Agreement, by the Agents of their obligations pursuant to the Agency Agreement and by the Investor of its obligations pursuant to the Subscription Agreement;
- that no event will occur which would allow the underwriters of the Offering to terminate their obligations under the Underwriting Agreement, which would allow the Agents to terminate their obligations under the Agency Agreement or which would allow the Investor to terminate its obligations under the Subscription Agreement;
- planned and unplanned outages and the use of AltaGas' and WGL's pipeline and energy assets;
- integrity and reliability of AltaGas' and WGL's pipeline and energy assets;
- access to capital markets;
- anticipated construction costs, schedules and completion dates;
- any planned asset divestitures can be achieved on commercially reasonable terms; and
- the realization of the anticipated benefits of the Acquisition to AltaGas, including impacts on growth and accretion in various financial metrics.

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 in the Prospectus, 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 in the Prospectus 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 in the Prospectus. 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 in the Prospectus are expressly qualified by these cautionary statements.

Financial outlook information contained in this prospectus supplement, the Prospectus and the documents incorporated by reference in the Prospectus 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 available as of the date of this prospectus supplement, the Prospectus or as of the date specified in the documents incorporated by reference in the Prospectus, as the case may be. Readers are cautioned that such financial outlook information contained in this prospectus supplement, the Prospectus and the documents incorporated by reference in the Prospectus should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

None of AltaGas', WGL's or Washington Gas' (as defined herein) independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the financial outlook information incorporated by reference in the Prospectus, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the financial outlook information.

RECENT DEVELOPMENTS

Acquisition of WGL

On January 25, 2017, AltaGas, Merger Sub and WGL entered into the Merger Agreement pursuant to which Merger Sub will be merged with and into WGL, with WGL continuing as the surviving corporation and as an indirect wholly-owned subsidiary of AltaGas, and the shares of common stock of WGL (“WGL Shares”) (other than any WGL Shares held immediately prior to the effective time by WGL or any of its subsidiaries or by AltaGas, Merger Sub or any of their respective subsidiaries) will be automatically converted into and represent only the right to receive US\$88.25 in cash per WGL Share, without interest. The aggregate Purchase Price to be paid, including pursuant to equity awards under WGL’s benefit plans, is approximately \$6.0 billion in cash and does not include the outstanding debt of WGL and its subsidiaries and the preferred shares of Washington Gas (a subsidiary of WGL that sells and delivers natural gas primarily to retail customers in The District of Columbia, Maryland and Virginia), totaling approximately \$2.4 billion at September 30, 2016, which AltaGas expects will remain outstanding.

For a summary of the terms of the Merger Agreement, see “*Acquisition of WGL – The Merger Agreement*” in the Prior Prospectus, which disclosure is incorporated by reference in the Prospectus. For a description of each of the acquisition rationale and the business of WGL, see “*Acquisition of WGL – Acquisition Rationale*” and “*Acquisition of WGL – Business of WGL*”, respectively, in the Prior Prospectus, which disclosure is incorporated by reference in the Prospectus.

The audited financial statements of WGL and Washington Gas as at and for the years ended September 30, 2016 and 2015 and AltaGas’ unaudited pro forma consolidated financial statements for the year ended December 31, 2015 and as at and for the nine month period ended September 30, 2016, in each case after giving effect to the Acquisition and the related financing assumptions as described in the unaudited pro forma consolidated financial statements as at September 30, 2016 in respect of the pro forma consolidated balance sheet and as if such occurred January 1, 2015 in respect of the pro forma consolidated statements of income and the related financing assumptions as described in the unaudited pro forma consolidated financial statements, are included as an appendix to the Prior Prospectus and incorporated by reference in the Prospectus. The unaudited condensed consolidated financial statements of WGL and Washington Gas as at December 31, 2016 and for the three months ended December 31, 2016 are incorporated by reference in the Prospectus.

The Acquisition is expected to close shortly after the later of: (a) the expiration or termination of the applicable waiting period (and any extensions thereof) in connection with the Acquisition under the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*; (b) receipt of approval by two-thirds of the outstanding WGL Shares at a meeting called to consider the approval of the Merger Agreement; and (c) receipt of: (i) any consents required by the Public Service Commission of the District of Columbia, The Maryland Public Service Commission and The Commonwealth of Virginia State Corporation Commission; (ii) approval of the Committee on Foreign Investment in the United States; and (iii) any consents required by the United States Federal Energy Regulatory Commission, provided that all such conditions and certain other customary closing conditions are satisfied or waived on or prior to 5:00 p.m., Washington D.C. time on January 25, 2018, subject to extension to a date no later than 180 days thereafter in certain circumstances. See “*Acquisition of WGL – The Merger Agreement – Closing Conditions*” in the Prior Prospectus, which disclosure is incorporated by reference in the Prospectus.

AltaGas expects that cash to close the Acquisition of approximately \$6.0 billion will be provided from a combination of: (a) the net proceeds from the Offering and the Concurrent Private Placement (each as defined below under “*Closing of Subscription Receipt Offering*”); (b) the Bridge Facility; (c) the net proceeds from certain planned divestitures of assets of AltaGas; and (d) future senior debt, hybrid security, equity or equity-linked security (including any Preferred Shares or convertible debentures) financings. AltaGas currently expects to fund approximately \$0.8 billion through hybrid security or Preferred Share issuances and a further approximately \$2.7 billion through asset divestitures and, if required, the Bridge Facility. See “*Acquisition of WGL – The Merger Agreement*” and “*– Financing the Acquisition*” in the Prior Prospectus, which disclosure is incorporated by reference in the Prospectus.

Closing of Subscription Receipt Offering

On February 3, 2017, AltaGas issued 67,800,000 subscription receipts (“**Subscription Receipts**”) at a price of \$31.00 per Subscription Receipt (the “**Offering Price**”) pursuant to the Prior Prospectus (the “**Offering**”) and 12,910,000 Subscription Receipts at the Offering Price pursuant to a concurrent private placement (the “**Concurrent Private Placement**”) to OMERS, the pension plan for Ontario’s municipal employees (“**OMERS**”) for total gross proceeds to AltaGas from the Offering and the Concurrent Private Placement of approximately \$2.5 billion. AltaGas also granted to the underwriters of the Offering an option (the “**Over-Allotment Option**”), exercisable at any time until 5:00 p.m. (Calgary time) on March 5, 2017, to purchase up to an additional 10,170,000 Subscription Receipts on the same terms as set forth above.

The terms and conditions of the Subscription Receipts are governed by a subscription receipt agreement dated February 3, 2017 (the “**Subscription Receipt Agreement**”) among AltaGas, the co-lead underwriters of the Offering and Computershare Trust Company of Canada, as subscription receipt agent (the “**Subscription Receipt Agent**”). The following is a summary of certain provisions of the Subscription Receipt Agreement. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the full text of the Subscription Receipt Agreement, a copy of which has been filed with Canadian securities regulatory authorities on SEDAR at www.sedar.com.

Each Subscription Receipt will be automatically exchanged for one Common Share, without any further action required on the part of the holder of the Subscription Receipt and without payment of any additional consideration, upon the closing of the Acquisition (the “**Closing Date**”).

While the Subscription Receipts remain outstanding, holders thereof will be entitled to receive payments per Subscription Receipt equal to the per Common Share cash dividends, if any, declared by AltaGas on the Common Shares in respect of all record dates for such dividends occurring from February 3, 2017 to, but excluding, the last day on which the Subscription Receipts remain outstanding, to be paid to holders of Subscription Receipts concurrently with the payment date of each such dividend on AltaGas’ outstanding Common Shares, paid first out of any interest credited or received on the proceeds of the Offering (after deducting 50% of the underwriters’ fee on the Offering) and Concurrent Private Placement (after deducting a capital commitment fee payable to OMERS by way of reduction of the Offering Price), and any earned interest thereon and any investments acquired or made from time to time with such funds (the “**Escrowed Funds**”), and then as a refund of a portion of the Offering Price, net of any applicable withholding taxes (any such payment, a “**Dividend Equivalent Payment**”). The record date for each Dividend Equivalent Payment will be the same as the record date for dividends declared on the Common Shares.

If: (a) notice to the Subscription Receipt Agent certifying, among other things, that the parties to the Merger Agreement are able to complete the Acquisition in all material respects in accordance with the terms of the Merger Agreement, but for the payment of the purchase price, is not delivered on or prior to 5:00 p.m. (Calgary time) on September 4, 2018; (b) the Merger Agreement is terminated; or (c) AltaGas advises the co-lead underwriters of the Offering and the Subscription Receipt Agent or announces to the public that it does not intend to proceed with the Acquisition (each such case being a “**Termination Event**” and the earliest to occur of any of the foregoing Termination Events being the “**Termination Time**”), the Subscription Receipt Agent will pay to each holder of Subscription Receipts, commencing on the third business day following the Termination Time, an amount equal to: (a) the aggregate issue price of such holder’s Subscription Receipts, plus (b) any unpaid Dividend Equivalent Payments owing to such holder of Subscription Receipts (collectively, the “**Termination Payment**”). The Termination Payment will be made from the balance of the Escrowed Funds at the Termination Time, including from remaining interest credited or received on the Escrowed Funds, provided that if the balance of the Escrowed Funds, together with any such interest, is insufficient to cover the full amount of the Termination Payment, under the Subscription Receipt Agreement, AltaGas will be required to pay to the Subscription Receipt Agent as agent on behalf of holders of Subscription Receipts the deficiency, if any, between the amount of Escrowed Funds, together with any such interest, at the Termination Time and the aggregate of the Termination Payments due to the holders of Subscription Receipts. If any amount of such interest on the Escrowed Funds remains unused after the full payment of the Termination Payment, it shall be paid by the Subscription Receipt Agent to AltaGas.

In the event that the Termination Time occurs after a dividend has been declared on the Common Shares but before the record date for such dividend, holders of Subscription Receipts will receive, as part of the

Termination Payment, a pro rata Dividend Equivalent Payment in respect of such dividend declared on the Common Shares based on the ratio of the time between (i) the date of the prior Dividend Equivalent Payment (or, if none, February 3, 2017) and the Termination Time, to (ii) the date of the prior Dividend Equivalent Payment (or, if none, the prior payment date for dividends on the Common Shares) and the dividend payment date for the dividend so declared. If the Termination Time occurs on a record date or following a record date but on or prior to the payment date, holders will be entitled to receive the full Dividend Equivalent Payment.

USE OF PROCEEDS

The net proceeds to AltaGas from the Preferred Offering will be approximately \$291,000,000 after deducting the Underwriters' Fee of \$9,000,000 (assuming no institutional sales of Series K Shares) and before deducting the expenses of the Preferred Offering, estimated to be approximately \$500,000. The expenses of the Preferred Offering and the Underwriters' Fee will be paid from AltaGas' general funds.

The net proceeds of the Preferred Offering will be used to reduce existing indebtedness including, without limitation, indebtedness under the Syndicated Facility (as hereinafter defined) and for general corporate purposes. Over the preceding two years, AltaGas and its affiliates used borrowings under the Syndicated Facility to, among other things, fund the addition of capital assets under construction, provide working capital in respect of ongoing operations and for other general corporate purposes. Any net proceeds not applied to reduce existing indebtedness will be used by AltaGas for general corporate purposes, which may include financing AltaGas' capital growth program 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*" and "*Relationship Between Certain of the Underwriters and AltaGas*".

CAPITALIZATION OF ALTAGAS

The following table sets forth the unaudited consolidated capitalization of AltaGas as at September 30, 2016, and the unaudited pro forma consolidated capitalization of AltaGas as at September 30, 2016 after giving effect to: (i) the Preferred Offering; (ii) the Offering; (iii) the Concurrent Private Placement; (iv) the completion of the Acquisition and related advances under the Bridge Facility; and (v) the anticipated use of proceeds from the Preferred Offering, the Offering and the Concurrent Private Placement. The financial information set out below should be read in conjunction with the unaudited consolidated financial statements of AltaGas as at and for the nine months ended September 30, 2016 and the unaudited pro forma consolidated financial statements of AltaGas, including, in each case, the notes thereto, each as incorporated by reference in the Prospectus. Other than as set forth below, there have been no material changes in the share and loan capital of AltaGas on a consolidated basis since September 30, 2016.

(\$millions except share amounts)

| | <u>Authorized</u> | <u>Outstanding as at September 30, 2016</u> | <u>Outstanding as at September 30, 2016 after giving effect to the Preferred Offering, the Offering and the Concurrent Private Placement and the use of proceeds therefrom, the completion of the Acquisition and related advances under the Bridge Facility⁽¹⁾⁽²⁾</u> |
|--|-------------------|---|---|
| Debt | | | |
| Bridge Facility ⁽³⁾ | | - | 3,648.8 |
| Syndicated Facility ⁽⁴⁾ | | 364.7 | 74.2 |

(\$millions except share amounts)

| | <u>Authorized</u> | <u>Outstanding as at September 30, 2016</u> | <u>Outstanding as at September 30, 2016 after giving effect to the Preferred Offering, the Offering and the Concurrent Private Placement and the use of proceeds therefrom, the completion of the Acquisition and related advances under the Bridge Facility⁽¹⁾⁽²⁾</u> |
|--|-------------------|--|---|
| Medium Term Notes ⁽⁵⁾ | | 2,838.5 | 2,838.5 |
| Other Long Term Debt..... | | 519.7 | 519.7 |
| Assumed Debt of WGL ⁽⁶⁾ | | - | 2,588.4 |
| Share Capital | | | |
| Common Shareholders' Equity ⁽⁷⁾ | Unlimited | 3,714.3 (165,041,574 Common Shares) | 6,147.8 (245,751,574 Common Shares) |
| Preferred Shares | Unlimited | 135.0 (5,511,220 Preferred Shares, Series A) | 135.0 (5,511,220 Preferred Shares, Series A) |
| | | 60.9 (2,488,780 Preferred Shares, Series B) | 60.9 (2,488,780 Preferred Shares, Series B) |
| | | 200.6 (8,000,000 Preferred Shares, Series C) | 200.6 (8,000,000 Preferred Shares, Series C) |
| | | 195.8 (8,000,000 Preferred Shares, Series E) | 195.8 (8,000,000 Preferred Shares, Series E) |
| | | 196.1 (8,000,000 Preferred Shares, Series G) | 196.1 (8,000,000 Preferred Shares, Series G) |
| | | 196.7 (8,000,000 Preferred Shares, Series I) | 196.7 (8,000,000 Preferred Shares, Series I) |
| | | | 290.5 (12,000,000 Preferred Shares, Series K) |
| | | | 19.7 (150,000,000 WGL Preferred Shares \$4.80 Series) |
| | | | 9.4 (70,600,000 WGL Preferred Shares \$4.25) |

(\$millions except share amounts)

| | Authorized | Outstanding as at September 30, 2016 | Outstanding as at September 30, 2016 after giving effect to the Preferred Offering, the Offering and the Concurrent Private Placement and the use of proceeds therefrom, the completion of the Acquisition and related advances under the Bridge Facility ⁽¹⁾⁽²⁾ Series) |
|-----------------------------|------------|---|---|
| | | | 7.9 (60,000,000 WGL Preferred Shares \$5.00 Series) |
| Total Capitalization | | 8,422.3 | 17,130.0 |

Notes:

- (1) Based on the issuance of 12,000,000 Series K Shares pursuant to the Preferred Offering for net proceeds to AltaGas from the Preferred Offering of approximately \$290,500,000 after deducting the Underwriters' Fee of \$9,000,000 (assuming no institutional sales of Series K Shares) and estimated expenses of the Preferred Offering of \$500,000. The expenses of the Preferred Offering will be paid from the general funds of AltaGas. See "*Plan of Distribution*".
- (2) On February 3, 2017, AltaGas issued 67,800,000 Subscription Receipts at the Offering Price pursuant to the Offering and 12,910,000 Subscription Receipts at the Offering Price pursuant to the Concurrent Private Placement for net proceeds to AltaGas from the Offering and the Concurrent Private Placement of approximately \$2,406,584,625, after deducting the fee payable to the underwriters of the Offering of \$78,817,500, a capital commitment fee payable to OMERS by way of reduction of the Offering Price equal to \$8,004,200, the fee payable to the agents in connection with the Concurrent Private Placement of \$7,003,675 and estimated expenses of the Offering and the Concurrent Private Placement of \$1,600,000. If the underwriters of the Offering exercise the Over-Allotment Option in full, the net proceeds from the Offering and the Concurrent Private Placement will be approximately \$2,710,032,000, after deducting the fee payable to the underwriters of the Offering of \$90,640,125, a capital commitment fee payable to OMERS by way of reduction of the Offering Price equal to \$8,004,200, the fee payable to the agents in connection with the Concurrent Private Placement of \$7,003,675 and estimated expenses of the Offering and the Concurrent Private Placement of \$1,600,000. See "*Recent Developments – Closing of Subscription Receipt Offering*".
- (3) For purposes of financing the Acquisition, on January 25, 2017, AltaGas engaged JPMorgan Chase Bank, N.A., The Toronto-Dominion Bank and Royal Bank of Canada to provide, on a fully underwritten basis, senior unsecured bridge term loan credit facilities in an aggregate principal amount of up to US\$4.95 billion (the "**Bridge Facility**"). The Bridge Facility was subsequently amended on February 3, 2017 to, among other things, reduce the size of the facility to US\$3.1 billion. The Bridge Facility consists of (a) a bridge term loan credit facility in an aggregate principal amount of up to US\$1.10 billion and (b) a bridge term loan credit facility in an aggregate principal amount of up to US\$2.0 billion. See "*Acquisition of WGL – Financing the Acquisition – The Bridge Facility*" in the Prior Prospectus incorporated in the Prospectus by reference for a description of the Bridge Facility, as modified in the manner contemplated by this Note 3.
- (4) See "*Relationship Between AltaGas and Certain of the Underwriters*" for a summary of the amounts outstanding under the Syndicated Facility (as hereinafter defined) as at February 14, 2017.
- (5) Medium term notes consist of: (a) \$200 million of 5.49% medium term notes due March 27, 2017; (b) \$175 million of 4.60% medium term notes due January 15, 2018; (c) \$200 million of 4.55% medium term notes due January 17, 2019; (d) \$200 million of 4.07% medium term notes due June 1, 2020; (e) \$350 million of 3.72% medium term notes due September 28, 2021; (f) \$300 million of 3.57% medium term notes due June 12, 2023; (g) \$200 million of 4.40% medium term notes due March 15, 2024; (h) \$300 million of 3.84% medium term notes due January 15, 2025; (i) \$100 million of 5.16% medium term notes due January 13, 2044; (j) \$300 million of 4.50% medium term notes due August 15, 2044; (k) US\$125 million of floating rate medium term notes due April 17, 2017 (the "**US Floating Rate Notes**"); and (l) \$350 million of 4.12% medium term notes due April 7, 2026. The US Floating Rate Notes have been converted from U.S. dollars to Canadian dollars as at September 30, 2016 at an exchange rate of 1 U.S. dollar: 1.3117 Canadian dollars.
- (6) Assumed debt of WGL consists of senior notes and term loans for WGL and both medium term notes and private placement notes for Washington Gas.
- (7) As at September 30, 2016, 4,198,136 options under AltaGas' stock option plan were outstanding with a weighted average exercise price of \$32.32 per Common Share.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the “**Preferred Share Underwriting Agreement**”) effective February 13, 2017 between AltaGas and the Underwriters, AltaGas has agreed to sell an aggregate of 12,000,000 Series K 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 K Shares at a price of \$25.00 per Series K Share payable in cash against delivery of such Series K Shares on the Preferred Offering Closing Date. The Preferred Share Underwriting Agreement provides that, in consideration of the services of the Underwriters in connection with the Preferred Offering, AltaGas will pay the Underwriters a fee of \$0.25 per Series K Share issued and sold by AltaGas to certain institutions, and \$0.75 per Series K Share for all other Series K Shares issued and sold by AltaGas as part of the Preferred Offering (collectively, the “**Underwriters’ Fee**”), for an aggregate fee payable by AltaGas of \$9,000,000, assuming that no Series K Shares are sold to such institutions. The Underwriters’ Fee is payable on the Preferred Offering Closing Date. The summary of certain provisions of the Preferred Share Underwriting Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the provisions of the Preferred Share Underwriting Agreement, a copy of which has been filed with the securities regulatory authorities in Canada and is available on SEDAR at www.sedar.com.

The terms of the Preferred 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 such obligations may be terminated at their discretion on the basis of, among other things: (i) certain proceedings being announced, threatened or commenced against AltaGas; (ii) certain changes in law; (iii) the issuance of any order (or proceedings to commence such order) to cease or suspend trading in any securities of AltaGas; (iv) any change reasonably expected in the Underwriter’s opinion to have a material adverse effect on the market price of the Series K Shares; (v) any adverse change in the ratings of the Series K Shares by a Ratings Agency (as defined below); (vi) prior to the closing time on the Preferred Offering Closing Date, there develops an occurrence of national or international consequence which in the Underwriters’ reasonable opinion seriously adversely affects the financial markets or the business of AltaGas; (vii) any change or proposed change in Canadian tax laws or the interpretation or administration thereof which could reasonably be expected to have a significant adverse effect on the market price or value of the Series K Shares; (viii) the Underwriters becoming aware of any material information with respect to AltaGas or its subsidiaries not publicly disclosed or disclosed in writing to the Underwriters which in the sole opinion of the Underwriters, or any of them, acting reasonably could be expected to have a significant adverse effect on the market price or value of the Series K Shares or which adversely impacts the distribution or marketability thereof; or (ix) AltaGas is in breach or default under or non-compliant with any representation, warranty, covenant, term or condition of the Preferred Share Underwriting Agreement in any material respect.

If an Underwriter fails to purchase the Series K Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series K Shares, provided that, if the aggregate number of Series K Shares not purchased is less than or equal to 9% of the aggregate number of Series K Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series K 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 K Shares if any Series K Shares are purchased under the Preferred Share Underwriting Agreement. The Preferred Share Underwriting Agreement also provides that AltaGas will indemnify the Underwriters, their affiliates and each of their respective directors, officers, shareholders, partners, agents and employees against certain liabilities and expenses.

The Underwriters propose to offer the Series K 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 K Shares offered by this prospectus supplement at the price specified herein, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than \$25.00. In the event the Offering Price of the Series K 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 K Shares is less than the gross proceeds paid by the Underwriters to AltaGas for the Series K Shares. Any such reduction will not affect the proceeds received by AltaGas.

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

The TSX has conditionally approved the listing of the Series K Shares and the Series L Shares. Listing of the Series K Shares is subject to AltaGas fulfilling all the listing requirements of the TSX on or before May 16, 2017. Listing of the Series L Shares is subject to AltaGas fulfilling all the listing requirements of the TSX, including the public distribution requirements of the Series L Shares, at the applicable time. There can be no assurance that the Series K Shares and Series L 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 in the capital of AltaGas (“**Preferred Shares**”) or other securities convertible into, or exchangeable for, Preferred Shares prior to 90 days after the Preferred Offering Closing Date without the prior consent of the Co-Lead Underwriters 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 K 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 K 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 Preferred Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series K 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

CIBC, BMO, National, Scotia, RBC, TD and HSBC are, directly or indirectly, subsidiaries or affiliates of financial institutions that are lenders to AltaGas or its subsidiaries. In addition, ATB Financial is a minority shareholder of AltaCorp and is an affiliate of Alberta Treasury Branches, which is also a lender to AltaGas or its subsidiaries. Accordingly, pursuant to applicable securities legislation, AltaGas may be considered a “connected issuer” of such Underwriters. As at February 14, 2017, AltaGas was indebted to a syndicate of lenders, including lender affiliates of all such Underwriters under a \$1.4 billion unsecured extendible revolving facility with a syndicate of Canadian chartered banks currently scheduled to mature on December 15, 2020 (the “**Syndicated Facility**”) in the approximate amount of \$73.5 million and US\$259 million.

The Syndicated Facility is unsecured. AltaGas and its subsidiaries are presently in compliance with the terms of the Syndicated Facility and none of the lenders has waived a breach of the agreement governing such Syndicated Facility since its execution. The consolidated financial position of AltaGas has not changed materially since the indebtedness under the Syndicated Facility was incurred. See “*Use of Proceeds*”.

The decision to distribute Series K Shares pursuant to the Preferred Offering was made by AltaGas and the determination of the terms of the Preferred 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 Preferred Offering and the terms thereof. Each of the Underwriters will receive its proportionate share of the aggregate underwriting fee payable by AltaGas.

EARNINGS COVERAGE

The following consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2015 and September 30, 2016 after giving effect to the issuance of the Series K Shares pursuant to this Preferred Offering. The consolidated earnings coverage ratio for the 12-month period ended December 31, 2015 also gives effect to the issuance on April 7, 2016 of \$350 million 4.12% medium term notes, Series 17, due April 7, 2026 and the repayment at maturity on March 24, 2016 of US\$200 million of floating rate medium term

notes. The earnings coverage ratios set out below do not purport to be indicative of earnings coverage ratios for any future period.

| | <u>December 31, 2015</u> | <u>September 30, 2016</u> |
|------------------------|--------------------------|---------------------------|
| Earnings Coverage..... | 0.95 times | 1.17 times |

AltaGas' dividend requirements on all of its Preferred Shares, after giving effect to the foregoing, and adjusted to a before-tax equivalent using an effective income tax rate of 26% for the 12 months ended December 31, 2015, amounted to approximately \$75.9 million, and adjusted to a before-tax equivalent using an effective income tax rate of 27% for the 12 months ended September 30, 2016, amounted to approximately \$84.4 million. AltaGas' interest requirements, after giving effect to the foregoing, amounted to approximately \$156.6 million and \$155.9 million for the 12 months ended December 31, 2015 and September 30, 2016, respectively. AltaGas' earnings before interest and income tax for the 12 months ended December 31, 2015 and September 30, 2016 were approximately \$221.5 million and \$281.9 million, respectively, which are 0.95 times and 1.17 times, respectively, AltaGas' aggregate dividend and interest requirements for this period. The incremental dollar amount of the numerator for the earnings coverage ratio for the 12 months ended December 31, 2015 that would be required to achieve a ratio of one-to-one is \$11.0 million.

The following *pro forma* consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2015 and September 30, 2016 after giving effect to the issuance of the Series K Shares pursuant to this Preferred Offering and the impact of the Acquisition. The *pro forma* consolidated earnings coverage ratio for the 12-month period ended December 31, 2015 also gives effect to the issuance on April 7, 2016 of \$350 million 4.12% medium term notes, Series 17, due April 7, 2026 and the repayment at maturity on March 24, 2016 of US\$200 million of floating rate medium term notes. 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, 2015</u> | <u>September 30, 2016</u> |
|---|--------------------------|---------------------------|
| <i>Pro Forma</i> Earnings Coverage..... | 1.68 times | 1.94 times |

AltaGas' dividend requirements on all of its Preferred Shares, after giving effect to the foregoing, and adjusted to a before-tax equivalent using an effective income tax rate of 26% for the 12 months ended December 31, 2015, amounted to approximately \$78.6 million, and adjusted to a before-tax equivalent using an effective income tax rate of 27% for the 12 months ended September 30, 2016, amounted to approximately \$87.0 million. AltaGas' interest requirements, after giving effect to the foregoing, amounted to approximately \$260.7 million and \$280.3 million for the 12 months ended December 31, 2015 and September 30, 2016, respectively. AltaGas' earnings before interest and income tax for the 12 months ended December 31, 2015 and September 30, 2016 were approximately \$571.0 million and \$712.6 million, respectively, which are 1.68 times and 1.94 times, respectively, AltaGas' aggregate dividend and interest requirements for this period.

DETAILS OF THE PREFERRED 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 K Shares and Series L 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 K Shares and Series L Shares, each as a series and such provisions will also be available on SEDAR at www.sedar.com.

Definition of Terms

The following definitions are relevant to the Series K Shares and the Series L Shares.

“Annual Fixed Dividend Rate” means, for any Subsequent Fixed Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up))

equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date and 3.80%, provided that, in any event, such rate shall not be less than 5.00%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada 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 June 30, 2017.

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

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date and 3.80%.

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

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

“**Initial Fixed Rate Period**” means the period from and including the date of issue of the Series K Shares to, but excluding, March 31, 2022.

“**Quarterly Commencement Date**” means the last day of March, June, September and December in each year, commencing March 31, 2022.

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

“**Series K Conversion Date**” means March 31, 2022, and March 31 in every fifth year thereafter.

“**Series L Conversion Date**” means March 31, 2027, and March 31 in every fifth year thereafter.

“**Subsequent Fixed Rate Period**” means, for the initial Subsequent Fixed Rate Period, the period from and including March 31, 2022 to, but excluding, March 31, 2027, 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, March 31 in the fifth year thereafter.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as an annual rate on 90 day Government of Canada treasury bills using the three-month average results, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date, as posted on the Bloomberg page “CA3MAY<INDEX>” (or such other page as may replace the CA3MAY<INDEX> page on that service for purposes of displaying Government of Canada treasury bills yields).

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 K Shares

Issue Price

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

Dividends on Series K Shares

During the Initial Fixed Rate Period, the holders of the Series K 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 \$1.25 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 June 30, 2017, and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying \$1.25 by the number of days in the period from and including the date of issue of the Series K Shares to, but excluding, June 30, 2017, and dividing that product by 365, being the amount of \$0.4384 per Series K Share.

During each Subsequent Fixed Rate Period, the holders of the Series K 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 \$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 K 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 K Shares.

Redemption of Series K Shares

The Series K Shares shall not be redeemable prior to March 31, 2022. Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, on March 31, 2022, and on March 31 in every fifth year thereafter, AltaGas may, at its option, redeem all or any part of the Series K Shares by the payment of an amount in cash for each share to be redeemed equal to \$25.00 plus all accrued and unpaid dividends thereon to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by AltaGas).

Notice of any redemption of Series K 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 K Shares are at any time to be redeemed, the shares so to be redeemed shall be redeemed *pro rata* (disregarding fractions).

Conversion of Series K Shares into Series L Shares

The Series K Shares shall not be convertible prior to March 31, 2022. Holders of Series K Shares shall have the right to convert on each Series K Conversion Date, subject to restrictions on conversion described below, all or any of their Series K Shares into Series L Shares on the basis of one Series L Share for each Series K Share. Notice of a holder’s intention to convert Series K Shares must be received by the transfer agent and registrar for the Series K Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series K Conversion Date. Once received by the transfer agent and registrar on behalf of AltaGas, the election of a holder to convert is irrevocable. If AltaGas does not receive notice of a holder’s intention to convert Series K Shares during the time fixed therefor, then the Series K Shares shall be deemed to not have been converted (except in the case of an automatic conversion, as described below).

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

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

AltaGas reserves the right not to deliver Series L 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 L Shares, and AltaGas shall attempt to sell such Series L 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 L 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 L 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 K Shares of the redemption of all of the Series K Shares, the right of a holder of Series K Shares to convert such Series K Shares shall terminate and AltaGas shall not be

required to give notice to the registered holders of the Series K Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series K Shares.

The Series K Shares and Series L 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 K Shares and Series L 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 K 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 K Shares shall be entitled to receive \$25.00 per Series K 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 K Shares in any respect. After payment to the holders of the Series K 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 K Shares are outstanding, AltaGas shall not:

- (a) call for redemption, purchase, reduce or otherwise pay for less than all the Series K Shares and all other Preferred Shares then outstanding ranking prior to or on parity with the Series K 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 K Shares) on the Common Shares or any other shares of AltaGas ranking junior to the Series K 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 K 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 K Shares and on all other Preferred Shares then outstanding ranking prior to or on parity with the Series K 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 K Shares are outstanding, AltaGas shall not, without the prior approval of the holders of the Series K Shares, create or issue any shares ranking prior to or on parity with the Series K 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 K Shares shall have been paid or set apart for payment.

Voting Rights

The holders of the Series K Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series K 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 K 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 K Share held with respect to the resolutions being voted on. At any time when any Series K 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 K 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 K 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 K Shares. The terms of the Series K 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 K Shares. See "*Certain Canadian Federal Income Tax Considerations — Dividends*".

Modification

The series provisions attached to the Series K Shares may be amended with the written approval of all the holders of the Series K 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 K 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 L Shares

Issue Price

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

Dividends on Series L Shares

During each Quarterly Floating Rate Period, the holders of the Series L 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 \$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 (less any tax required to be deducted or withheld by AltaGas).

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 L 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 L Shares.

Redemption of Series L Shares

Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, AltaGas may redeem all or any part of the Series L Shares by the payment of an amount in cash for each share to be redeemed equal to (i) \$25.00 in the case of redemptions on any Series L Conversion Date, or (ii) \$25.50 in the case of redemptions on any date after March 31, 2022 that is not a Series L Conversion Date, in each case plus all accrued and unpaid dividends thereon to, but excluding, the date fixed for redemption (and in each case less any tax required to be deducted or withheld by AltaGas).

Notice of any redemption of Series L 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 L Shares are at any time to be redeemed, the shares so to be redeemed shall be redeemed *pro rata* (disregarding fractions).

Conversion of Series L Shares into Series K Shares

The Series L Shares shall not be convertible prior to March 31, 2027. Holders of Series L Shares shall have the right to convert on each Series L Conversion Date, subject to restrictions on conversion described below, all or any of their Series L Shares into Series K Shares on the basis of one Series K Share for each Series L Share. Notice of a holder’s intention to convert Series L Shares must be received by the transfer agent and registrar for the Series L Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series L Conversion Date. Once received by the transfer agent and registrar on behalf of AltaGas, the election of a holder to convert is irrevocable. If AltaGas does not receive notice of a holder’s intention to convert Series L Shares during the time fixed therefor, then the Series L Shares shall be deemed to not have been converted (except in the case of an automatic conversion, as described below).

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

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

AltaGas reserves the right not to deliver Series K 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 K Shares, and AltaGas shall attempt to sell such Series K 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 K 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 K 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 L Shares of the redemption of all of the Series L Shares, the right of a holder of Series L Shares to convert such Series L Shares shall terminate and AltaGas shall not be required to give notice to the registered holders of the Series L Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series L Shares.

The Series K Shares and Series L 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 K Shares and Series L 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 L 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 L Shares shall be entitled to receive \$25.00 per Series L 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 L Shares in any respect. After payment to the holders of the Series L 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 L Shares are outstanding, AltaGas shall not:

- (a) call for redemption, purchase, reduce or otherwise pay for less than all the Series L Shares and all other Preferred Shares then outstanding ranking prior to or on parity with the Series L 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 L Shares) on the Common Shares or any other shares of AltaGas ranking junior to the Series L 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 L 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 L Shares and on all other Preferred Shares then outstanding ranking prior to or on parity with the Series L 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 L Shares are outstanding, AltaGas shall not, without the prior approval of the holders of the Series L Shares, create or issue any shares ranking prior to or on parity with the Series L 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 L Shares shall have been paid or set apart for payment.

Voting Rights

The holders of the Series L Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series L 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 L 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 L Share held with respect to the resolutions being voted on. At any time when any Series L 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 L 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 L 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 L Shares. The terms of the Series L 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 L Shares. See "*Certain Canadian Federal Income Tax Considerations — Dividends*".

Modification

The series provisions attached to the Series L Shares may be amended with the written approval of all the holders of the Series L 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 L 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 K Shares and Series L 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 K Shares or Series L Shares to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Series K Shares or Series L Shares must be exercised through, and all payments or other property to which such holder of Series K Shares or Series L 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 K Shares or Series L Shares holds such shares. Each person who acquires Series K Shares or Series L Shares will receive only a customer confirmation of purchase from the registered dealer from or through which the Series K Shares or Series L 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 K Shares or Series L Shares.

The ability of a beneficial owner of Series K Shares or Series L 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 K Shares and Series L Shares through the book entry only system, in which event certificates for Series K Shares and Series L 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 K Shares or Series L Shares held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series K Shares or Series L 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 K Shares or Series L Shares must look solely to CDS Participants for payments made by or on behalf of AltaGas to CDS in respect of the Series K Shares or Series L 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 K Shares or Series L 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 K Shares and Series L 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 K Shares pursuant to this prospectus supplement who, at all relevant times, for the purposes of the Tax Act, is (or is deemed to be) resident in Canada, holds the Series K Shares and will hold the Series L Shares, as applicable, as capital property, and deals at arm's length with AltaGas and the Underwriters and is not affiliated with AltaGas or the Underwriters (a "**Holder**"). Generally, the Series K Shares or Series L 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 K Shares or Series L 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 K Shares or will not hold their Series L Shares, as applicable, as capital property should consult their own tax advisors 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" as defined in the Tax Act; (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; or (v) that enters into a "derivative forward agreement" with respect to the Series K Shares or Series L Shares, as such terms are defined in the Tax Act. Any such Holder should consult its own tax advisors with respect to an investment in the Series K Shares or Series L 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 K Shares or Series L Shares. No representations are made with respect to the income tax consequences to any particular Holder. Consequently, prospective Holders should consult their own tax advisors with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Series K Shares or the Series L Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Dividends

Dividends (including deemed dividends) received (or deemed to be received) on the Series K Shares or the Series L 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 K Shares or the Series L 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. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances. 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 38¹/₃% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series K Shares or the Series L Shares, as the case may be, to the extent such dividends are deductible in computing its taxable income.

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

Dispositions

A Holder who disposes of or is deemed to dispose of Series K Shares or Series L Shares (on the redemption of such shares or otherwise but not including on a conversion of Series K Shares into Series L Shares or a conversion of Series L Shares into Series K 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 K Shares or Series L 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 K Shares or Series L 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 K Share or a Series L 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 K Share or Series L 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 realized by a Holder in a taxation year 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 and deducted in any of the three preceding taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other taxation years, subject to and in accordance with the rules contained in the Tax Act. 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 $10\frac{2}{3}\%$.

Redemption

If AltaGas redeems Series K Shares or Series L Shares, or otherwise acquires or cancels Series K Shares or Series L 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. 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 K Shares into Series L Shares and the conversion of Series L Shares into Series K 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 L Shares or Series K 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 K Shares or Series L Shares, as the case may be, immediately before the conversion.

RATINGS

The Series K Shares have been provisionally rated Pfd-3 (Under Review – Developing) 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 “Under Review – Developing”. See “*Risk Factors – Risks Related to the Series K Shares – Ratings*”. 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 a P-3 (High) rating 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 K 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 K 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, the Series K Shares offered hereby, if issued on the date hereof, generally would be, on such date, 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”), each as defined in the Tax Act.

Notwithstanding the foregoing, the annuitant of a RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax if such Series K Shares are a “prohibited investment” for the purposes of section 207.01 of the Tax Act. The Series K 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: (i) deals at arm’s length with AltaGas for purposes of the Tax Act; and (ii) does not have a “significant interest” (within the meaning of the Tax Act) in AltaGas. In addition, the Series K Shares will not be a prohibited investment if the Series K Shares are “excluded property” as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF.

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

RISK FACTORS

An investment in the Series K 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 WGL*” in the Prior Prospectus incorporated by reference in the Prospectus), prospective purchasers of Series K 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*”.

Risks Related to the Series K Shares

No Existing Trading Market

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

Market Price

The market price of the Series K Shares and Series L 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 K Shares and Series L Shares in the marketplace, failure to meet analysts' expectations, any public announcements made in regard to this Preferred 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 K Shares and Series L Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to AltaGas' performance.

In addition, the value of Series K Shares and Series L Shares will be affected by the general creditworthiness of AltaGas. AltaGas' AIF for the year ended December 31, 2015, AltaGas' 2015 MD&A for the year ended December 31, 2015 and AltaGas' 2016 Q3 MD&A for the three and nine month periods ended September 30, 2016 are incorporated by reference in the Prospectus. 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 K Shares and Series L 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 K Shares and Series L Shares. Assuming all other factors remain unchanged, the market value of the Series K Shares and Series L Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series K Shares and Series L Shares in an analogous manner.

Ratings

The ratings applied to the Series K 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 K Shares may affect the market price or value and the liquidity of the Series K Shares. There is no assurance that any rating assigned to the Series K 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 K Shares and Series L 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 K Shares, Series L Shares and other Preferred Shares, if any.

Automatic Conversion

An investment in the Series K Shares may become an investment in Series L Shares without the consent of the holder in the event of an automatic conversion of the Series K Shares into Series L Shares. Upon such automatic conversion, the dividend rate on the Series L 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 K Shares into Series L Shares in certain circumstances. See "*Details of the Preferred Offering*".

In addition, once Series K Shares have been converted to Series L Shares, an investment in those Series L Shares may revert to an investment in Series K Shares without the consent of the holder in the event of an automatic conversion of the Series L Shares into Series K Shares. Upon such automatic conversion, the dividend rate on the Series K Shares will be a fixed rate that is adjusted every five years by reference to the Government of Canada Yield

which may vary from time to time. In addition, holders may be prevented from converting their Series L Shares into Series K Shares in certain circumstances. See “*Details of the Preferred Offering*”.

No Fixed Maturity

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

Dividends

The dividend rate in respect of the Series K Shares and Series L 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 K Shares and Series L 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 L Shares, given their floating interest component, entail risks not associated with investments in the Series K Shares. The resetting of the applicable rate on a Series L Share may result in a lower yield compared to fixed rate Series K Shares. The applicable rate on a Series L 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 Preferred Offering — Certain Provisions of the Series L Shares — Dividends on Series L Shares*”.

Voting Rights

Holders of Series K Shares and Series L Shares will not generally have voting rights at meetings of shareholders of AltaGas except under limited circumstances. See “*Details of the Preferred Offering – Certain Provisions of the Series K Shares – Voting Rights*” and “*Details of the Preferred Offering – Certain Provisions of the Series L Shares – Voting Rights*”.

Redeemable

AltaGas may choose to redeem the Series K Shares and/or the Series L Shares from time to time, in accordance with its rights described under “*Details of the Preferred Offering — Certain Provisions of the Series K Shares — Redemption of Series K Shares*” and “*Details of the Preferred Offering — Certain Provisions of the Series L Shares — Redemption of Series L Shares*”, including when prevailing interest rates are lower than the yield provided by the Series K Shares and the Series L 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 K Shares or the Series L Shares being redeemed. AltaGas’ redemption right also may adversely impact a purchaser’s ability to sell Series K Shares and Series L Shares.

General

Forward-looking information may prove inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this prospectus supplement under the heading “*Note Regarding Forward-Looking Statements*”.

INTEREST OF EXPERTS

The auditors of AltaGas are Ernst & Young LLP, Chartered Professional Accountants, 2200, 215 2nd Street S.W., Calgary, Alberta, T2P 1M4. Ernst & Young LLP is independent of AltaGas in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Professional Accountants of Alberta.

The auditors of WGL and Washington Gas are Deloitte & Touche LLP located in Mclean, Virginia. Deloitte & Touche LLP, an independent registered public accounting firm, is independent with respect to WGL and Washington Gas within the meaning of the Act and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Series K 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.

CERTIFICATE OF THE UNDERWRITERS

Dated: February 15, 2017

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

CIBC WORLD
MARKETS INC.

By: (signed)
Kelsen Vallee

BMO NESBITT BURNS
INC.

By: (signed)
Tim Lisevich

NATIONAL BANK
FINANCIAL INC.

By: (signed)
Iain Watson

SCOTIA CAPITAL INC.

By: (signed)
Dan Beck

RBC DOMINION SECURITIES INC.

By: (signed)
Trevor Gardner

TD SECURITIES INC.

By: (signed)
Alec W.G. Clark

HSBC SECURITIES (CANADA) INC.

By: (signed)
Greg Gannett

ALTACORP CAPITAL INC.

By: (signed)
J. Cameron Bailey

BEACON SECURITIES LIMITED

By: (signed)
Mario Maruzzo

CANACCORD GENUITY CORP.

By: (signed)
Andrew D. Birkby

DESJARDINS SECURITIES INC.

By: (signed)
Stuart Roberts

GMP SECURITIES L.P.

By: (signed)
Dean Willner

MACQUARIE CAPITAL
MARKETS CANADA LTD.

By: (signed)
Marnie Smith

MUFG SECURITIES (CANADA),
LTD.

By: (signed)
Richard Testa

PETERS & CO. LIMITED

By: (signed)
Shane R. Hutzal

RAYMOND JAMES LTD.

By: (signed)
Jason Holtby