

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **May 15, 2013**

**TC PipeLines, LP**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-35358**  
(Commission File  
Number)

**52-2135448**  
(IRS Employer  
Identification No.)

**717 Texas Street, Suite 2400**  
**Houston, TX**  
(Address of principal executive offices)

**77002-2761**  
(Zip Code)

Registrant's telephone number, including area code **(877) 290-2772**

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry into a Material Definitive Agreement.**

*Purchase Agreements*

On May 15, 2013, TC PipeLines Intermediate Limited Partnership ("TCILP"), a wholly-owned subsidiary of TC PipeLines, LP (the "Partnership"), entered into a definitive agreement with TransCanada American Investments Ltd. (the "GTN Purchase Agreement") to purchase an additional 45 percent membership interest in Gas Transmission Northwest LLC (the "GTN Interest") and a definitive agreement with TC Continental Pipeline Holdings Inc. (the "Bison Purchase Agreement" and together with the GTN Purchase Agreement, the "Purchase Agreements") to acquire an additional 45 percent membership interest in Bison Pipeline LLC (the "Bison Interest") for a total transaction value of \$1.05 billion subject to certain working capital closing adjustments (the "Acquisition"). The purchase price for the GTN Interest is \$750 million less \$146 million, which reflects 45% of GTN's outstanding debt. The purchase price for the Bison Interest is \$300 million. The purchase and sale of the GTN Interest is contingent upon the purchase and sale of the Bison Interest and vice versa. The Acquisition is expected to close in July 2013 subject to regulatory approvals and customary closing conditions. The Partnership currently owns 25% of each of Gas Transmission Northwest LLC ("GTN") and Bison Pipeline LLC ("Bison"), and the remaining 75% interests are owned by subsidiaries of TransCanada Corporation ("TransCanada"), which is the ultimate parent company of TC PipeLines GP, Inc., the general partner of the Partnership (the "General Partner").

In the event that Portland General Electric Company ("PGE") executes a firm transportation service agreement by December 31, 2014 containing agreed terms and relating to transportation from GTN's mainline to PGE's proposed Carty Generating Station, we will pay an additional \$25 million.

*GTN Pipeline System*

GTN owns the GTN pipeline system, a 1,353-mile natural gas transmission system originating near Kingsgate, British Columbia at the Canadian border and connecting with the Tuscarora pipeline system near Malin, Oregon at the California border (the "GTN Pipeline"). The GTN Pipeline transports Western Canada Sedimentary Basin ("WCSB") and Rocky Mountain-sourced natural gas to third-party natural gas pipelines and markets in Washington,

Oregon and California. The GTN Pipeline has an average design capacity of approximately 2.9 Bcf/d. The original construction of the GTN Pipeline was completed in 1961, followed by expansions or extensions.

GTN provides transportation service under rates and terms of service that are subject to approval by the Federal Energy Regulatory Commission ("FERC"). GTN's current maximum transportation rates were determined by a rate case settlement between GTN and its customers approved by FERC effective January 1, 2012. The settlement agreement established a moratorium on rate changes until December 31, 2015, and requires GTN to submit a rate case with new rates to be effective by January 1, 2016. GTN's revenues are substantially supported by long-term contracts. Contracts expiring prior to 2023 are primarily held by local distribution companies. GTN's rates were initially established primarily based on its contracted long-term

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capacity. As a result, GTN's revenues will be subject to positive variation as a result of capacity sold at levels above its current contracted amount.

The GTN Pipeline competes with other pipelines that source natural gas from the WCSB and competes with other pipelines that serve the downstream markets served by GTN.

The GTN Pipeline is operated by a subsidiary of TransCanada. Most decisions regarding the GTN Pipeline system are established by the GTN Management Committee, which upon closing of the Acquisition will include two members who are appointed by TransCanada and two members who are appointed by the Partnership. The members' votes are equal to the percentage interests that they represent.

#### *Bison Pipeline System*

Bison owns the Bison pipeline system, a 303-mile natural gas pipeline originating from the Powder River Basin near Gillette, Wyoming connecting to the Northern Border system in Morton County, North Dakota (the "Bison Pipeline"). The Bison Pipeline was placed into service in January 2011.

Bison operates pursuant to rates and terms of service approved by the FERC in connection with the Bison Pipeline's initial construction. Bison has fixed price transportation agreements with four shippers, all with terms expiring in 2021, for 407 MMcf/d comprising all of Bison Pipeline's current annual capacity.

The Bison Pipeline competes with other pipelines that transport Rocky Mountain basin gas supplies to markets in the West, Midwest and East in North America and with other pipelines that serve the same market area by sourcing natural gas from storage facilities and from other supply regions.

The Bison Pipeline is operated by a subsidiary of TransCanada. Most decisions of the Bison Pipeline are established by the Bison Management Committee, which upon closing of the Acquisition will include two members who are appointed by TransCanada and two members who are appointed by the Partnership. The members' votes are equal to the percentage interest that they represent.

The Acquisition is expected to be financed through a combination of debt and equity.

The foregoing descriptions of the Purchase Agreements are qualified in their entirety by reference to the Purchase Agreements, copies of which are filed herewith as Exhibits 2.1 and 2.2, and are incorporated herein by reference.

#### *Relationships*

As of May 15, 2013, TransCanada and its affiliates (other than the General Partner) own 11,287,725 common units and the Partnership's General Partner owns 5,797,106 common units, representing an aggregate 31.3 percent limited partner interest in the Partnership. In addition, the General Partner owns an aggregate two percent general partner interest in the Partnership through

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which it manages and operates the Partnership. As a result, TransCanada's aggregate ownership interest in the Partnership is 33.3 percent by virtue of its indirect ownership of the General Partner and 31.3 percent aggregate limited partner interest.

The Conflicts Committee of the Board of Directors of the General Partner, composed entirely of independent directors, unanimously recommended approval of the Acquisition to the Board of Directors. The Conflicts Committee retained legal, market and financial advisors to assist it in evaluating and negotiating the Acquisition. The Board of Directors of the General Partner unanimously approved the terms of the Acquisition.

#### *Guarantees*

In connection with the Acquisition, TransCanada PipeLine USA Ltd., a subsidiary of TransCanada has guaranteed all obligations of TransCanada American Investments Ltd. under the GTN Purchase Agreement up to the purchase price of the GTN Interest and has guaranteed all obligations of TC Continental Pipeline Holdings Inc. under the Bison Purchase Agreement up to the purchase price of the Bison Interest. Both guarantees have a term of six years.

The foregoing descriptions of the guarantees are qualified in their entirety by reference to the guarantees, copies of which are filed herewith as Exhibits 10.1 and 10.2, and are incorporated herein by reference.

#### *Financial Statements and Pro Forma Financial Information*

In connection with the Acquisition and to provide the historical financial information required pursuant to Item 9.01(a) and the pro forma financial information required pursuant to Item 9.01(b) of Form 8-K, the Partnership is filing (i) the audited financial statements of GTN and Bison as of and for the fiscal years ended December 31, 2012 and 2011 attached as Exhibits 99.1 and 99.3, respectively, (ii) the unaudited financial statements of GTN and Bison for the quarters ended March 31, 2013 and 2012, attached as Exhibits 99.2 and 99.4, respectively, and (iii) the unaudited pro forma consolidated income

statement of the Registrant for the years ended December 31, 2012, 2011 and 2010 and the quarter ended March 31, 2013 and the unaudited pro forma consolidated balance sheet as at March 31, 2013, attached as Exhibit 99.5.

**Item 7.01 Regulation FD Disclosure.**

On May 15, 2013, the Partnership issued a press release regarding the Acquisition. A copy of the press release is furnished as Exhibit 99.6 hereto.

The information in this Item 7.01 is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

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**Item 9.01 Financial Statements and Exhibits.**

(a) Financial Statements of Businesses Acquired.

Attached hereto as Exhibits 99.1 and 99.2, and incorporated herein by reference, are the audited financial statements of GTN as of and for the fiscal years ended December 31, 2012 and 2011 and unaudited financial statements for the quarters ended March 31, 2013 and 2012.

Attached hereto as Exhibits 99.3 and 99.4, and incorporated herein by reference, are the audited financial statements of Bison as of and for the fiscal years ended December 31, 2012 and 2011 and unaudited financial statements for the quarters ended March 31, 2013 and 2012.

(b) Pro Forma Financial Information.

Attached hereto as Exhibit 99.5, and incorporated herein by reference, are the unaudited pro forma consolidated income statement of the Registrant for the years ended December 31, 2012, 2011, and 2010 and the quarter ended March 31, 2013 and the unaudited pro forma consolidated balance sheet as at March 31, 2013 which were developed by applying pro forma adjustments to the consolidated financial statements of the Partnership included in its Form 10-K for the year ended December 31, 2012 and its Form 10-Q for the three months ended March 31, 2013.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement for Purchase and Sale of Membership Interest dated as of May 15, 2013 between TransCanada American Investments Ltd., as Seller, and TC PipeLines Intermediate Limited Partnership, as Buyer.*
2.2	Agreement for Purchase and Sale of Membership Interest dated as of May 15, 2013 between TC Continental Pipeline Holdings Inc., as Seller, and TC Pipelines Intermediate Limited Partnership, as Buyer.*
10.1	Guaranty by TransCanada Pipeline USA Ltd. dated as of May 15, 2013 with respect to the obligations of TransCanada American Investments Ltd.
10.2	Guaranty by TransCanada Pipeline USA Ltd. dated as of May 15, 2013 with respect to the obligations of TC Continental Pipeline Holdings Inc.
99.1	Audited financial statements of GTN as of and for the fiscal years ended December 31, 2012 and 2011.
99.2	Unaudited financial statements of GTN as of and for the fiscal quarters ended March 31, 2013 and 2012.
99.3	Audited financial statements of Bison as of and for the fiscal years ended December 31, 2012 and 2011.

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99.4	Unaudited financial statements of Bison as of and for the fiscal quarters ended March 31, 2013 and 2012.
99.5	Unaudited pro forma consolidated income statement of the Registrant for the three years ended December 31, 2012, 2011 and 2010 and the quarter ended March 31, 2013 and the unaudited pro forma consolidated balance sheet of the Registrant as at March 31, 2013.
99.6	Press Release of TC PipeLines, LP, dated May 15, 2013.

\*The schedules and exhibits to this agreement, as set forth in the Table of Contents of the agreement, have not been filed herewith pursuant to Item 601(b) (2) of Regulation S-K. The Partnership agrees to furnish any omitted materials to the Securities and Exchange Commission upon request.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**TC PipeLines, LP**  
by: TC PipeLines GP, Inc.,  
its general partner

By: /s/ Annie C. Belecki  
Annie C. Belecki  
Secretary

Dated: May 15, 2013

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#### EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement for Purchase and Sale of Membership Interest dated as of May 15, 2013 between TransCanada American Investments Ltd., as Seller, and TC PipeLines Intermediate Limited Partnership, as Buyer.*
2.2	Agreement for Purchase and Sale of Membership Interest dated as of May 15, 2013 between TC Continental Pipeline Holdings Inc., as Seller, and TC Pipelines Intermediate Limited Partnership, as Buyer.*
10.1	Guaranty by TransCanada Pipeline USA Ltd. dated as of May 15, 2013 with respect to the obligations of TransCanada American Investments Ltd.
10.2	Guaranty by TransCanada Pipeline USA Ltd. dated as of May 15, 2013 with respect to the obligations of TC Continental Pipeline Holdings Inc.
99.1	Audited financial statements of GTN as of and for the fiscal years ended December 31, 2012 and 2011.
99.2	Unaudited financial statements of GTN as of and for the fiscal quarters ended March 31, 2013 and 2012.
99.3	Audited financial statements of Bison as of and for the fiscal years ended December 31, 2012 and 2011.
99.4	Unaudited financial statements of Bison as of and for the fiscal quarters ended March 31, 2013 and 2012.
99.5	Unaudited pro forma consolidated income statement of the Registrant for the three years ended December 31, 2012, 2011 and 2010 and the quarter ended March 31, 2013 and the unaudited pro forma consolidated balance sheet of the Registrant as at March 31, 2013.
99.6	Press Release of TC PipeLines, LP, dated May 15, 2013.

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\*The schedules and exhibits to this agreement, as set forth in the Table of Contents of the agreement, have not been filed herewith pursuant to Item 601(b) (2) of Regulation S-K. The Partnership agrees to furnish any omitted materials to the Securities and Exchange Commission upon request.

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**AGREEMENT FOR PURCHASE AND SALE**

**OF**

**MEMBERSHIP INTEREST**

**by and between**

**TRANSCANADA AMERICAN INVESTMENTS LTD., as SELLER**

**and**

**TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP, as BUYER**

**May 15, 2013**

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Exhibit E:	Seller Parent Guaranty
Exhibit F:	Promissory Note
Schedules:	Schedules to Agreement

THIS AGREEMENT FOR PURCHASE AND SALE OF MEMBERSHIP INTEREST (this "Agreement"), is executed as of this 15<sup>th</sup> day of May, 2013, by and between TRANSCANADA AMERICAN INVESTMENTS LTD., a Delaware corporation ("Seller") and TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP, a Delaware limited partnership ("Buyer"). Seller and Buyer are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**WITNESSETH:**

WHEREAS, Seller and Buyer each own a 75% and 25% membership interest, respectively, in Gas Transmission Northwest LLC, a Delaware limited liability company ("GTN LLC");

WHEREAS, Buyer acquired a 25% membership interest in GTN LLC pursuant to an Agreement for Purchase and Sale of Membership Interests, by and between Seller and Buyer, dated April 26, 2011 (the "Original PSA") at a closing held May 3, 2011 (the "Original PSA Closing Date"); and

WHEREAS, Buyer desires to purchase and acquire, and Seller desires to sell and assign a 45% membership interest in GTN LLC (the "GTN Interest") pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE I  
SALE AND PURCHASE**

Section 1.01 Agreement to Sell and to Purchase GTN Interest.

At the Closing, and on the terms and subject to the conditions set forth in this Agreement, Seller shall sell, assign and deliver to Buyer, and Buyer shall purchase and accept from Seller, the GTN Interest.

Section 1.02 Purchase Price and Potential Additional Carty Lateral Consideration.

(a) The purchase price to be paid by Buyer to Seller for the GTN Interest (the "Purchase Price") shall equal the Closing Payment, which shall be adjusted in accordance with Section 1.03.

(b) Contingent upon Portland General Electric Company executing and delivering a firm transportation service agreement on or before December 31, 2014, substantially in the form contemplated by

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the Carty Lateral Precedent Agreement (the "FTSA"), the Buyer shall pay to Seller the Potential Additional Carty Lateral Consideration.

Section 1.03 Purchase Price Adjustment.

(c) Within ninety (90) days after the Closing, Seller shall prepare and deliver to Buyer a written statement (the "Working Capital Adjustment Statement"), together with supporting work papers with respect to the calculation of the amounts set forth therein, which reflects the Working Capital as of the Effective Date for GTN LLC. Seller agrees to cooperate with Buyer in connection with the preparation of the Working Capital Adjustment Statement and related information, and shall provide to Buyer and Buyer's representatives such books, records, information, and access to such of GTN LLC's or its Affiliates' employees and properties during normal business hours, as may be reasonably requested from time to time by Buyer or its representatives.

(d) Buyer may dispute the Working Capital Adjustment Statement and the items reflected therein; provided, however, that Buyer shall notify Seller in writing of any disputed amounts, and provide a reasonably detailed description of the basis of such dispute, within ninety (90) days after Buyer's receipt of the Working Capital Adjustment Statement. In the event of such a dispute, Buyer and Seller shall attempt to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on the Parties. If Buyer and Seller are unable to reach a resolution of any such differences within ninety (90) days after Seller's receipt of Buyer's written notice of dispute, Buyer and Seller shall submit the amounts remaining in dispute for determination and resolution to the Independent Accounting Firm, which shall be instructed to determine and report to the Parties, within ninety (90) days after such submission, a resolution of such remaining disputed amounts, and such resolution shall be final, binding and conclusive on the Parties hereto with respect to the remaining amounts disputed. The fees and disbursements of the Independent Accounting Firm shall be shared equally by Buyer, on the one hand, and Seller, on the other hand. For the avoidance of doubt, the Working Capital Adjustment Statement and the amounts reflected thereon shall be deemed to be modified to the extent of any changes thereto that become final, binding and conclusive on the Parties based on mutual agreement or a determination of the Independent Accounting Firm in accordance with this Section 1.03(b).

(e) Within five (5) Business Days after the earliest to occur of (i) a mutual written agreement of Buyer and Seller with respect to the Working Capital Adjustment Statement (ii) the termination of the ninety (90) day period described in Section 1.03(b) if Buyer does not provide a notice of dispute within such period as provided therein and (iii) the final determination of all such disputed amounts in accordance with Section 1.03(b), (A) if Working Capital as of the Effective Date exceeds the Estimated Working Capital, Buyer shall pay Seller forty-five percent (45%) of the amount of such excess, and (B) if Working Capital as of the Effective Date is less than the Estimated Working Capital, Seller shall pay to Buyer forty-five percent (45%) of the amount of such deficiency. All payments made pursuant to the previous sentence shall be paid together with interest thereon for the period commencing on the Effective Date through the date of payment, calculated at the Prime Rate in effect on the Closing Date, in cash by wire transfer of immediately available funds.

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Section 1.04 Time and Place of the Closing.

Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, the closing of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, 405 Howard Street, San Francisco, CA 94105 at 10:00 a.m., local time, on July 1, 2013 provided that all of the conditions to each Party’s obligations hereunder have been satisfied or waived (other than conditions to be satisfied at the Closing), or at such other place or time as the Parties may agree. The date and time at which the Closing actually occurs is hereinafter referred to as the “Closing Date.” Other than with respect to those matters that are effective or applicable as of the Effective Date as expressly provided herein, the Closing shall be effective for all purposes as of 12:01 a.m. Eastern time on the Closing Date.

Section 1.05 Closing Statement; Closing Payment; Payment of Potential Additional Carty Lateral Consideration.

(a) On the third (3<sup>rd</sup>) Business Day prior to Closing, Seller shall deliver to Buyer a statement (the “Closing Statement”) setting forth (i) the Estimated Working Capital and (ii) the Interest Amount. The Closing Statement shall be prepared by Seller in good faith and be accompanied by reasonably detailed supporting documentation.

(b) At the Closing, Buyer shall pay and satisfy the Closing Payment by executing and delivering to Seller a promissory note (the “Promissory Note”) in an amount equal to the Closing Payment and in the form attached as Exhibit F hereto.

(c) On the first Business Day that is on or after the date that is 4 months after the execution of the FTSA, Buyer shall pay or cause to be paid to Seller, in cash, an amount equal to the Potential Additional Carty Lateral Consideration by wire transfer of immediately available funds to the account or accounts designated by Seller.

Section 1.06 Deliveries by Seller.

At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) the Assignment and Assumption Agreement, duly executed by Seller;

(b) an executed certificate of non-foreign status satisfying the requirements of Treasury Regulation Section 1.1445-2(b) (2) (substantially in the form attached hereto as Exhibit A);

(c) evidence satisfactory to the Buyer acting reasonably of the receipt of the HSR Approval;

(d) the amended and restated limited liability company agreement of GTN LLC in the form attached hereto as Exhibit D (the “GTN A&R LLC Agreement”), duly executed by Seller;

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(e) evidence satisfactory to the Buyer acting reasonably of the receipt of the consents described on Schedule 2.03; and

(f) such other agreements, documents, instruments and writings as are expressly required to be delivered by Seller at or prior to the Closing Date pursuant to this Agreement.

Section 1.07 Deliveries by Buyer.

At the Closing, Buyer shall deliver or cause to be delivered to Seller the following:

(a) the Closing Payment in the form of the Promissory Note;

(b) the Assignment and Assumption Agreement, duly executed by Buyer;

(c) evidence satisfactory to the Seller acting reasonably of the receipt of the HSR Approval;

(d) the GTN A&R LLC Agreement, duly executed by Buyer; and

(e) such other agreements, documents, instruments and writings as are expressly required to be delivered by Buyer at or prior to the Closing Date pursuant to this Agreement.

Section 1.08 Deliveries by Seller on the Execution Date.

Contemporaneous with the execution of this Agreement, Seller has caused to be delivered to Buyer the Seller Parent Guaranty in the form attached hereto as Exhibit E duly executed by TransCanada PipeLine USA Ltd.

**ARTICLE II  
REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer that the statements contained in this Article II are correct and complete as of the date hereof as follows, except as set forth in the Schedules. All references to “GTN LLC” in this Article II shall be deemed to refer not only to GTN LLC but also to Gas Transmission Northwest Corporation and Gas Transmission Northwest CA, LLC, if applicable, except with respect to the representations and warranties set forth in Sections 2.04 and 2.08.

Section 2.01 Organization and Qualification.

Seller (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite corporate power and authority to own and operate its business as presently conducted, and (c) is duly qualified as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned or held under

lease or the nature of its activities makes such qualification necessary, except for such failures to be so qualified as would not reasonably be expected to have a Material Adverse Effect.

Section 2.02 Authorization; Validity and Effect of Transaction Agreements.

Seller has the requisite power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Transaction Agreements by Seller and the performance of its obligations hereunder and thereunder and the consummation of all of the transactions contemplated hereby and thereby have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will, at or prior to the Closing, be) duly authorized by the board of directors (and, if required, shareholders) of Seller and by all other necessary corporate action, and no other proceedings are (or will be) necessary for Seller to authorize this Agreement or the other Transaction Agreements and the transactions contemplated hereby and thereby. This Agreement and the Transaction Agreements have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will at or prior to the Closing, be) duly and validly executed and delivered by Seller and constitute (or will constitute) legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 2.03 No Conflict; Required Filings and Consents.

(a) Neither the execution and delivery by Seller of this Agreement and the Transaction Agreements, nor the performance by Seller of its obligations hereunder or thereunder, nor the consummation of the transactions contemplated hereby and thereby, will: (i) conflict with, or result in the breach of, any provision of the certificate of incorporation or bylaws of Seller; (ii) violate any Applicable Laws; or (iii) except as set forth on Schedule 2.03(a), conflict with or result in any violation or breach of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, suspension, modification or acceleration of any obligation or any increase in any payment required by, or the impairment, loss or forfeiture of any Material benefits, rights or privileges under, or the creation of a Lien on any assets pursuant to (any such conflict, violation, breach, default, right of termination, cancellation or acceleration, loss or Lien, a "Violation") any Contract (A) to which Seller is a party, (B) by which Seller or any of its assets or properties are bound or affected, or (C) pursuant to which Seller is entitled to any rights or benefits, except for such Violations which would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 2.03(b), and except for the filings required by the HSR Act and the expiration or earlier termination of all waiting periods under the HSR Act (the "HSR Approval"), no consent, approval, authorization, exemption or waiver of or permit from, or declaration, filing or registration with, any Governmental Authority or any other Person is required to be made or obtained by Seller in connection with the execution, delivery and performance of this Agreement or the other Transaction Agreements or the consummation of the transactions contemplated hereby or thereby, except where the failure to obtain such consent,

approval, authorization, permit or declaration or to make such filing or registration would not reasonably be expected to have a Material Adverse Effect.

Section 2.04 Ownership and Delivery of the GTN Interest.

Seller is the legal and beneficial owner of 75% of the membership interests in GTN LLC. Except as set forth on Schedule 2.04, at the Closing, Seller will transfer good and valid title to the GTN Interest to Buyer, free and clear of any and all Liens. There are no outstanding subscriptions, options, warrants, calls, rights, commitments, arrangements, understandings or agreements of any character affecting Seller's right to transfer the GTN Interest as contemplated herein.

Section 2.05 No Brokers.

Seller does not have any liability to pay any compensation to any broker, finder or agent with respect to the transactions contemplated hereby for which Buyer or GTN LLC could be liable or that could result in any Lien on the GTN Interest.

Section 2.06 Legal Proceedings.

There are no actions or proceedings pending or, to the Knowledge of Seller, threatened, against Seller before any court, arbitrator or Governmental Authority acting in an adjudicative capacity which, if adversely determined, would prohibit or restrain the execution, delivery or performance by Seller of this Agreement or the Transaction Agreements or any of the transactions contemplated hereby or thereby. Seller is not subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court or Governmental Authority which would prohibit or restrain the execution, delivery or performance by Seller of this Agreement, the Transaction Agreements or any of the transactions contemplated hereby or thereby.

Section 2.07 Absence of Certain Changes.

Except as set forth on Schedule 2.07, between March 31, 2013 and the date hereof: (a) GTN LLC has not incurred any liabilities or obligations, fixed, contingent, accrued or otherwise that are of the type that are required to be set forth on a balance sheet prepared in accordance with GAAP (except for liabilities and obligations incurred in the ordinary course of business); (b) GTN LLC has conducted the Business, in all Material respects, in the ordinary course; and (c) no event, occurrence or other matter has occurred that would reasonably be expected to have a Material Adverse Effect.

Section 2.08 GTN LLC Organization and Qualification.

GTN LLC (a) is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite limited liability company power and authority to own and operate its business as presently conducted and (c) is duly qualified as a foreign limited liability company in each of the jurisdictions where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except for such failures to be so qualified as would not reasonably be expected to have a Material Adverse Effect.

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Section 2.09 No Subsidiaries.

(a) GTN LLC does not own any equity interest in any Person.

(b) GTN LLC is not a party to any Contract, or otherwise subject to any legal restriction, restricting its ability to distribute profits or make any other similar distributions, except (i) as set forth in Schedule 2.09(b) and (ii) for legal restrictions, if any, under the Delaware Limited Liability Company Act.

Section 2.10 Financial Statements.

Copies of the unaudited financial statements (including any notes and schedules thereto) of GTN LLC as at March 31, 2013 are attached as Schedule 2.10 (the "Financial Statements"). The Financial Statements (including in each case any related schedules and notes) fairly present in all Material respects the financial position of GTN LLC as of the date specified therein, and the results of its operations for the respective period so specified, and have been prepared in accordance with GAAP consistently applied throughout the period involved.

Section 2.11 Litigation; Observance of Orders.

(a) Except as set forth on Schedule 2.11(a), there are no actions, suits or proceedings pending or, to the Knowledge of Seller, threatened against GTN LLC in any court or before any arbitrator of any kind or before or by any Governmental Authority that would reasonably be expected to have a Material Adverse Effect.

(b) GTN LLC is not in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority which default would reasonably be expected to have a Material Adverse Effect.

Section 2.12 Tax Matters.

Except as set forth in Schedule 2.12:

(a) all Material Tax Returns required to be filed by GTN LLC have been or will be timely filed with the appropriate taxing authorities in all jurisdictions in which such Tax Returns are required to be filed;

(b) such Tax Returns are or will be true and correct in all Material respects, and all Taxes reported on such Tax Returns have been or will be timely paid;

(c) GTN LLC has not extended or waived the application of any statute of limitations of any jurisdiction regarding the assessment or collection of any Tax;

(d) there are no audits, claims, assessments, levies, administrative proceedings or lawsuits pending, or to the Knowledge of Seller, threatened against GTN LLC by any taxing authority and GTN LLC has not received any written notices from any taxing authority relating to any issue which could have a Material affect on the Tax liability of GTN LLC after the Closing Date;

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(e) no election has been made by GTN LLC to be classified as an association taxable as a corporation for U.S. federal, state or local income tax purposes, and GTN LLC is currently treated as a partnership for all such purposes;

(f) there are no Liens for Taxes (other than for current Taxes not yet due or payable) upon the assets of GTN LLC;

(g) none of the assets of GTN LLC, directly or indirectly, secures any debt the interest on which is tax exempt under Section 103(a) of the Code;

(h) Seller is not a person other than a United States person within the meaning of the Code and the transactions contemplated herein are not subject to the tax withholding provisions of the Code;

(i) all Taxes which GTN LLC is (or was) required by law to withhold or collect in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party have been duly withheld or collected, and have been or will be timely paid over to the proper authorities to the extent due and payable;

(j) there are no Tax sharing, allocation, indemnification or similar agreements in effect as between GTN LLC, on the one hand, and any other party (including Seller and its other Affiliates and any predecessors thereof), on the other hand, under which Buyer or GTN LLC could be liable for any Taxes of any such party after the Closing Date;

(k) GTN LLC has not applied for, nor been granted, nor agreed to any accounting method change for which it will be required to take into account any adjustment under Section 481 of the Code or any similar provision of the Code or the corresponding tax laws of any nation, state or locality; and

(l) no written claim has been made by any taxing Governmental Authority in a jurisdiction where GTN LLC does not file Tax Returns that GTN LLC is or may be subject to taxation by that jurisdiction.

Section 2.13 Title to Real and Personal Property.

Except as set forth in Schedule 2.13, GTN LLC has good title in fee simple to, or has valid rights to lease or use, by easement, license, Contract or otherwise, all items of real and personal property used in the ordinary course of the Business, in each case free and clear of all Liens, except those that (a) do not materially interfere with the current use of such property by GTN LLC or (b) constitute Permitted Encumbrances.

Section 2.14 Permits; Intellectual Property.

(a) GTN LLC owns or possesses all Permits, patents, copyrights, service marks, trademarks and trade names, or rights thereto, necessary (i) for the operation, ownership and maintenance of the GTN Pipeline and (ii) for the conduct of the Business, except where the failure to own or possess the same would not reasonably be expected to have a Material Adverse Effect. Since the Acquisition Date, GTN LLC has not received any written notice of any

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revocation or modification of any such Permit, patent, copyright, service mark, trademark or trade name nor has it received any written notice that such Permit, patent, copyright, service mark, trademark or trade name will not be renewed in the ordinary course of business.

(b) Since the Acquisition Date, GTN LLC has made all declarations and filings with the appropriate Governmental Authorities that are necessary for the ownership, maintenance or lease of its Material properties and the conduct of the Business, except where the failure to make the same would not reasonably be expected to have a Material Adverse Effect.

Section 2.15 Condition of Assets.

(a) The GTN Pipeline and all other tangible Material property owned by GTN LLC have been maintained in all Material respects to prevailing industry standards for similar assets and, except as set forth on Schedule 2.15(a), are in satisfactory operating condition and repair, ordinary wear and tear excepted.

(b) There are no capital expenditures currently required in order to preserve the satisfactory operating condition of the GTN Pipeline or other tangible Material property owned by GTN LLC, other than (i) as reflected in the GTN LLC Budget and (ii) normal maintenance expenditures that are incurred or expected to be incurred in the ordinary course of operating the Business.

Section 2.16 Employee Matters.

(a) GTN LLC does not have any employees. Except as set forth on Schedule 2.16(a), there are no employee or employee-benefit related liabilities to which GTN LLC is subject.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not involve any transaction that, absent an applicable exemption, is subject to the prohibitions of Section 406(b) of ERISA or in connection with which, absent an applicable exemption, a Tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code.

Section 2.17 No Violation or Default.

Except as set forth on Schedule 2.17, GTN LLC is not (a) in violation of the GTN LLC Agreement or its certificate of formation; (b) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, under any Contract to which GTN LLC is a party or by which it is bound or to which any of its property or assets are subject; or (c) in violation of any Applicable Law or any judgment or order of any court or arbitrator or Governmental Authority, except, in the case of clauses (b) and (c) above, for any such default or violation that would not reasonably be expected to have a Material Adverse Effect. Notwithstanding the foregoing, it is understood and agreed that the representations and warranties set forth in this Section 2.17 shall not apply to (i) matters relating to Taxes (as the sole and exclusive representations and warranties regarding Taxes are set forth in Section 2.12), (ii) Permits, declarations and filings (as the sole and exclusive representations and warranties regarding Permits, declarations and filings are set forth in Section 2.14), (iii) employee matters

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(as the sole and exclusive representations and warranties regarding employee matters are set forth in Section 2.16) or (iv) environmental matters (as the sole and exclusive representations and warranties regarding environmental matters are set forth in Section 2.20).

Section 2.18 Material Agreements.

The Contracts set forth on Schedule 2.18 (collectively, the “Material Agreements”) constitute all Material gas transportation contracts, operation and maintenance agreements, construction contracts and other Material Contracts to which GTN LLC is a party or by which GTN LLC is bound or to which any of its property or assets is subject. The Material Agreements have been duly authorized, executed and delivered by GTN LLC and constitute valid and legally binding agreements of GTN LLC, enforceable against GTN LLC in accordance with their terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors’ rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 2.19 Insurance.

GTN LLC has insurance with Reputable Insurers covering its properties (including the GTN Pipeline and related equipment) against loss or damage of the kinds customarily insured against by companies similarly situated in the industry in which GTN LLC conducts the Business, in such amounts and with such deductibles as is customary of similarly situated companies and, since the Acquisition Date, GTN LLC has not received written notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance.

Section 2.20 Compliance With Environmental Laws.

Except as set forth on Schedule 2.20, since the Acquisition Date, GTN LLC: (a) has been operated in compliance with any and all Environmental Laws; (b) has received and is in compliance with all Permits required under applicable Environmental Laws to conduct the Business; (c) has not been the subject of any outstanding order or judgment from a Governmental Authority under applicable Environmental Laws requiring remediation or payment of a fine in an amount in excess of \$500,000 individually or in aggregate; and (d) has not received any written notice of any actual or potential liability for the violation of, or noncompliance with any Environmental Law, or the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants under any Environmental Law, except in the case of the foregoing clauses (a) and (b) for any such noncompliance as would not reasonably be expected to have a Material Adverse Effect. Except for actions and conditions which have not had and would not reasonably be expected to have a Material Adverse Effect, to the Knowledge of Seller, no condition exists on any property currently owned or leased by GTN LLC which would subject GTN LLC or such property to any remedial obligations or liabilities.

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Section 2.21 No Conflict; Required Filings and Consents Applicable.

(a) Except as set forth on Schedule 2.21(a), neither the execution and delivery by Seller of this Agreement or the Transaction Agreements, nor the performance by Seller of the obligations hereunder or thereunder, nor the consummation of the transactions contemplated hereby or thereby, will result in a Violation of any Contract (i) to which GTN LLC is a party, (ii) by which GTN LLC or any of its assets or properties are bound or affected or (iii) pursuant to which GTN LLC is entitled to any rights or benefits, except for such Violations which would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 2.21(b), and except for the HSR Approval, no consent, approval, authorization, exemption or waiver of or permit from, or declaration, filing or registration with, any Governmental Authority or any other Person is required to be made or obtained by GTN LLC in connection with the execution, delivery and performance by Seller of this Agreement or the Transaction Agreements or the consummation of the transactions contemplated hereby or thereby, except where the failure to obtain such consent, approval, authorization, permit or declaration or to make such filing or registration would not reasonably be expected to have a Material Adverse Effect.

Section 2.22 Intercompany Matters.

Except for the Transaction Documents or as set forth in Schedule 2.22, there are no intercompany contracts or other arrangements between GTN LLC, on the one hand, and Seller or its other Affiliates, on the other hand, that (a) can not be terminated by GTN LLC upon notice of thirty (30) days or less and (b) would subject GTN LLC to any obligations or liabilities, or otherwise bind GTN LLC subsequent to the Closing.

**ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to Seller as follows:

Section 3.01 Organization and Qualification of Buyer.

Buyer is a limited partnership duly organized, validly existing and in good standing under the laws of Delaware. Buyer has all requisite power and authority to own and operate its business as presently conducted. Buyer is duly qualified as a foreign limited partnership and is in good standing in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except for such failures to be so qualified as would not reasonably be expected to have a material adverse effect on Buyer.

Section 3.02 Authorization; Validity and Effect of Transaction Agreements.

Buyer has the requisite power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Agreements and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the other Transaction Agreements by Buyer and the performance by it of its obligations hereunder and thereunder and the consummation of all of the transactions contemplated hereby

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and thereby have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will, at or prior to the Closing, be) duly authorized by Buyer's general partner and by all other necessary corporate and limited partnership action on the part of Buyer and its general partner, and no other proceedings are (or will be) necessary for Buyer to authorize this Agreement or the other Transaction Agreements and the transactions contemplated hereby and thereby. This Agreement and the other Transaction Agreements have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will, at or prior to the Closing, be) duly and validly executed and delivered by Buyer and constitute (or will constitute) legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 3.03 No Conflict; Required Filings and Consents Applicable to Buyer.

(a) Neither the execution and delivery by Buyer of this Agreement or the other Transaction Agreements, nor the performance by Buyer of its obligations hereunder or thereunder, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in the breach of, any provision of its certificate of limited partnership or limited partnership agreement or any other governing or organizational document of Buyer, or the certificate of incorporation or bylaws of its general partner; (ii) violate any Applicable Law; or (iii) conflict with or result in any Violation of any Contract (A) to which Buyer is a party, (B) by which Buyer or any of its assets or properties is bound or affected or (C) pursuant to which Buyer is entitled to any rights or benefits, except for such Violations which would not reasonably be expected to have a material adverse effect on Buyer.

(b) Except for the HSR Approval, no consent, approval, authorization, exemption or waiver of or permit from, or declaration, filing or registration with, any Governmental Authority or any other Person is required to be made or obtained by Buyer in connection with the execution, delivery and performance of this Agreement or the other Transaction Agreements or the consummation of the transactions contemplated hereby or thereby, except where the failure to obtain such consent, approval, authorization, permit or declaration or to make such filing or registration would not reasonably be expected to have a material adverse effect on Buyer.

Section 3.04 No Brokers.

Buyer has no liability to pay any compensation to any broker, finder or agent with respect to the transactions contemplated hereby based upon arrangements made by or on behalf of Buyer for which Seller or GTN LLC may be liable.

Section 3.05 Legal Proceedings Relating to Buyer.

There are no actions or proceedings pending or, to Buyer's knowledge, threatened against Buyer before any court or Governmental Authority acting in an adjudicative capacity, which, if adversely determined, would prohibit or restrain the execution, delivery or performance of this

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Agreement or the other Transaction Agreements or any of the transactions contemplated hereby or thereby. Buyer is not subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court or Governmental Authority which would prohibit or restrain the execution, delivery or performance of this Agreement, the other Transaction Agreements or any of the transactions contemplated hereby or thereby.

Section 3.06 Acquisition for Investment.

Buyer has such knowledge and experience in financial and business matters that Buyer is capable of evaluating the merits and risks of the investment contemplated by this Agreement and making an informed investment decision with respect thereto. Buyer is acquiring the GTN Interest for Buyer's own account for investment only and not with a view to, or any present intention of, effecting a distribution of the GTN Interest in violation of the Securities Act. Buyer acknowledges that it currently owns 25% of the membership interests in GTN LLC, and that the GTN Interest has not been registered under the Securities Act or the securities laws of any state or other jurisdiction and cannot be disposed of except in accordance with the Securities Act and any applicable state laws. Buyer is an accredited investor (within the meaning of Regulation D promulgated under the Securities Act).

Section 3.07 No Other Representations; Waiver of Implied Warranties.

Except as provided in Article II of this Agreement, Seller has not made and does not make any other representations or warranties as to the GTN Interest, GTN LLC, the Business or any matter or thing affecting or relating to GTN LLC or its business, operations, assets, properties, liabilities, financial condition, results of operation or other affairs. Buyer hereby waives, to the extent permitted by law, any implied warranty applicable to the transactions contemplated hereby (including any implied warranty of merchantability or fitness for a particular purpose). Buyer acknowledges that it has had the opportunity to conduct its own independent investigation, analysis and evaluation of the GTN Interest, GTN LLC and the Business.

**ARTICLE IV  
COVENANTS OF THE PARTIES**

Section 4.01 Expenses.

Except as otherwise provided in this Agreement, Buyer and Seller shall be solely responsible for their respective expenses and costs incurred in connection with the execution and performance of this Agreement, the other Transaction Agreements and the transactions contemplated hereby and thereby.

Section 4.02 Access to Information by Buyer.

Seller shall grant Buyer reasonable access during normal business hours to all books and records concerning GTN LLC which Seller has in its possession or control, as Buyer deems reasonably necessary or advisable in connection with the consummation of the transactions contemplated hereby; provided that such access shall not materially interfere with normal operations of Seller, GTN LLC or any of their respective Affiliates.

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Section 4.03 Conduct of the Business Pending the Closing Date.

(a) Except as required or permitted by this Agreement, or otherwise approved in writing by Buyer (which approval shall not be unreasonably withheld, conditioned or delayed), during the period commencing on the date hereof and ending on the Closing Date, Seller will, and will cause GTN LLC to:

(i) operate and maintain the Business in all material respects in the usual, regular and ordinary manner consistent with past practices, and to the extent consistent with such operation and maintenance, preserve the present business organization of the Business;

(ii) maintain its books, accounts and records relating to the Business in the usual, regular and ordinary manner, on a basis consistent with past practice, comply in all Material respects with all laws, rules or regulations of any Governmental Authority and contractual obligations applicable to the Business or to the conduct of the Business and perform all of its Material obligations relating to the Business;

(iii) not waive any Material claims or rights relating to the Business;

(iv) after obtaining Knowledge thereof, give notice to Buyer of any claim or litigation (threatened or instituted) or any other event or occurrence which would reasonably be expected to have a Material Adverse Effect, or which would reasonably be expected to cause Seller to breach any representation, warranty or covenant of Seller contained in this Agreement;

(v) not file an election to have GTN LLC classified as an association taxable as a corporation for U.S. federal, state or local income tax purposes; and

(vi) not agree, whether in writing or otherwise, to take any action which is inconsistent with this Section 4.03(a).

(b) Notwithstanding anything to the contrary in this Section 4.03, prior to the Closing Date, Buyer, on the one hand, and Seller, on the other hand, will act independently of each other in making decisions as to their respective businesses, other than with respect to their current interests in the Business.

#### Section 4.04 Disputes.

In the event of a Dispute, upon the written request (a “Request”) of any Party to this Agreement, the matter shall immediately be referred to senior officers of each Party designated by such Party for resolution. The designated senior officers shall meet immediately and attempt in good faith to negotiate a resolution of the Dispute. If the Parties are unable to resolve the Dispute within fifteen (15) Business Days after receipt by a Party of a Request, then either Party may seek any legal avenue available under this Agreement to resolve the Dispute.

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#### Section 4.05 Commercially Reasonable Efforts.

Each Party shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement and the other Transaction Agreements as soon as reasonably practicable, including such actions or things as any Party hereto may reasonably request in order to cause any of the conditions to any other Party’s obligation to consummate such transactions specified in Article V to be fully satisfied, and as promptly as is reasonably practicable cooperate with and furnish information to each other in connection with any requirements imposed upon any of them with respect thereto.

#### Section 4.06 Regulatory Approvals

As promptly as practicable, the Seller and Buyer shall make any notification required with respect to the transactions contemplated under this Agreement pursuant to the HSR Act, which notification shall specifically request early termination of the waiting period prescribed by the HSR Act. Further, as promptly as practicable, the Seller and Buyer shall make all other filings and notifications with all Governmental Authorities that may be or may become reasonably necessary, proper or advisable under this Agreement and Applicable Laws to consummate and make effective the transactions contemplated under this Agreement. Buyer and Seller shall equally share the filing fees and associated costs, including legal fees in connection with the HSR Approval.

#### Section 4.07 Schedules.

(a) Any information disclosed by any Party hereto pursuant to any Schedule hereto shall be deemed to be disclosed to the other Party for all purposes of this Agreement and the Transaction Agreements. Neither the specification of any dollar amount or any item or matter in any provision of this Agreement or any Transaction Agreement nor the inclusion of any specific item or matter in any Schedule hereto or thereto is intended to imply that such amount, or higher or lower amounts, or the item or matter so specified or included, or other items or matters, are or are not Material, and no Party shall use the fact of the specification of any such amount or the specification or inclusion of any such item or matter in any dispute or controversy between the Parties as to whether any item or matter is or is not Material for purposes of this Agreement or any Transaction Agreement. Neither the specification of any item or matter in any provision of the Agreement or any Transaction Agreement nor the inclusion of any specific item or matter in any Schedule hereto or thereto is intended to imply that such item or matter, or other items or matters, are or are not in the ordinary course of business, and no Party shall use the fact of the specification or the inclusion of any such item or matter in any dispute or controversy between the Parties as to whether any item or matter is or is not in the ordinary course of business for purposes of this Agreement or any Transaction Agreement.

(b) Each Party shall from time to time prior to or at the Closing, supplement or amend any Schedule hereto to correct any matter which would constitute a breach of any representation, warranty, covenant or obligation contained herein. No such supplement or amendment shall be deemed to cure any breach for purposes of Section 5.02(a) or Section 5.03(a) (as applicable). If, however, the Closing occurs, any such supplement and amendment

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relating to matters arising after the date hereof will be effective to cure and correct for all purposes any inaccuracy in or breach of any representation, warranty, covenant or obligation which would have existed if such Party had not made such supplement or amendment, and all references to any Schedule hereto which is supplemented or amended as provided in this Section 4.06 shall for all purposes after the Closing be deemed to be a reference to such Schedule as so supplemented or amended.

**ARTICLE V  
CONDITIONS PRECEDENT**

Section 5.01 Conditions to Obligation of Each Party to Close.

The respective obligations of each Party to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver at or prior to the Closing Date of all of the following conditions:

- (a) No Orders. No statute, rule, regulation, executive order, decree, ruling, permanent injunction or other permanent order shall have become effective (and final and nonappealable) permanently restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements.
- (b) Closing of Bison. The closing of the transactions contemplated under the Bison PSA shall occur contemporaneously with the Closing.
- (c) Regulatory Approvals. The waiting periods (and any extension thereof) applicable to the consummation of the transactions contemplated herein under the HSR Act shall have expired or shall have been terminated.

Section 5.02 Conditions to Seller's Obligation to Close.

Seller's obligation to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions:

- (a) Representations and Warranties; Covenants. The representations and warranties of Buyer contained in Article III shall be true and correct in all material respects (except where such representations and warranties are already modified by materiality, in which case, such representations and warranties shall be true and correct in all respects) on and as of the date of execution of this Agreement and on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made on, as of and with reference to such time, and Buyer shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by Buyer at or prior to the Closing Date. Buyer shall have delivered a certificate to Seller at Closing attesting to these matters.

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Section 5.03 Conditions to Buyer's Obligation to Close.

Buyer's obligation to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions:

- (a) Representations and Warranties; Covenants. The representations and warranties of Seller contained in Article II shall be true and correct in all material respects (except where such representations and warranties are already modified by materiality, in which case, such representations and warranties shall be true and correct in all respects) on and as of the date of execution of this Agreement and on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made by Seller on, as of and with reference to such time, and Seller shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by Seller at or prior to the Closing Date. Seller shall have delivered a certificate to Buyer at Closing attesting to these matters.
- (b) No Material Adverse Effect. No Material Adverse Effect shall have occurred since the date hereof.
- (c) Consents. Buyer shall have received evidence satisfactory to the Buyer acting reasonably of the receipt of the consents described on Schedule 2.03.

**ARTICLE VI  
SURVIVAL; INDEMNIFICATION**

Section 6.01 Survival.

The representations, warranties, covenants, agreements and indemnification obligations of the Parties contained in this Agreement shall survive the Closing until eighteen (18) months from the Closing Date and shall thereafter terminate and expire on the first Business Day following the date that is eighteen (18) months from the Closing Date; provided, however, that: (a) the representations and warranties of Seller contained in Section 2.12 (Taxes) (and the indemnification obligations of Seller with respect thereto, as set out in Section 7.04) shall survive until the expiration of the applicable statute of limitations; and (b) the representations and warranties of the Parties set forth in Section 2.02 (Authorization; Validity and Effect of Transaction Agreements), Section 2.04 (Ownership), Section 2.05 (No Brokers-Seller), Section 3.02 (Authorization; Validity and Effect of Transaction Agreements) and Section 3.04 (No Brokers-Buyer), (collectively, the "Identified Representations") (and the indemnification obligations of the Parties with respect thereto) shall survive indefinitely. Notwithstanding anything to the contrary in the preceding sentence, (i) any claim for indemnification which shall have been asserted pursuant to Section 6.04 or Section 7.04 prior to the expiration of the survival period applicable to such claim shall survive until the final resolution of such claim in accordance with the provisions of this Article VI; and (ii) in the event that (A) a Party provides written notice to the other Party that the first Party may seek indemnification under this Article VI or Article VII for a potential Loss and Expense prior to the expiration period applicable to the potential claim described in such notice, (B) such written notice describes in reasonable detail

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the specific factual basis for such potential Loss and Expense and (C) such first Party asserts an actual claim for indemnification pursuant to Section 6.04 or Section 7.04 within sixty (60) days of such notice, then the potential indemnification claim described in such notice shall survive until the final resolution of such claim in accordance with the provisions of this Article VI.



Section 6.02 Indemnification of Buyer.

(a) (i) From and after the Closing Date, but subject to the limitations set forth in this Article VI, Seller shall indemnify and hold harmless Buyer, TC PipeLines, LP and their respective officers, directors, employees, agents and representatives (the “Buyer Indemnified Parties”) from and against any damage, loss, claim, obligation, liability, cost (including reasonable attorneys’ fees and expenses), expense or deficiency (collectively, “Loss and Expense”) suffered or incurred by any of the Buyer Indemnified Parties in connection with the transactions contemplated in this Agreement by reason of, arising out of, or resulting from any breach of any representation, warranty, covenant or agreement of Seller contained in this Agreement, the other Transaction Agreements or any certificate or document required to be delivered by Seller to Buyer pursuant to this Agreement or any other Transaction Agreement (other than breaches of representations, warranties and covenants in Section 2.12 or Article VII, the indemnification obligations for which are set forth in Article VII). (ii) From and after the Closing Date, Seller shall indemnify and hold harmless the Buyer Indemnified Parties from and against any Loss and Expense suffered by the Buyer Indemnified Parties by reason of, arising out of or resulting from any claim or liability relating to the Excluded Liabilities.

(b) Subject to the terms and conditions of this Agreement, any Loss and Expense suffered by the Buyer Indemnified Parties for which the Buyer Indemnified Parties are to be indemnified by Seller pursuant to this Article VI or Section 7.04 shall be paid by Seller to the Buyer Indemnified Parties in U.S. Dollars.

Section 6.03 Indemnification of Seller.

(a) From and after the Closing, but subject to the limitations set forth in this Article VI, Buyer shall indemnify and hold harmless Seller and its officers, directors, employees, agents and representatives (the “Seller Indemnified Parties”) from and against any Loss and Expense suffered or incurred by reason of, arising out of or resulting from any breach of any representation, warranty, covenant or agreement of Buyer contained in this Agreement or any certificate or document required to be delivered by Buyer to Seller pursuant to this Agreement.

(b) Subject to the terms and conditions of this Agreement, any Loss and Expense suffered by the Seller Indemnified Parties for which the Seller Indemnified Parties are to be indemnified by Buyer pursuant to this Section 6.03 shall be paid by Buyer to the Seller Indemnified Parties in U.S. Dollars.

Section 6.04 Indemnification Procedures.

(a) Terms. As used herein, the term “Indemnified Party” shall mean the Buyer Indemnified Parties or Seller Indemnified Parties, as applicable, the term “Notifying Party” shall mean the Party entitled to indemnification hereunder, and the “Indemnifying Party” shall refer to the Party obligated to indemnify such Notifying Party’s Indemnified Parties.

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(b) Claims. An Indemnified Party that seeks indemnification under this Article VI for a Loss and Expense that does not arise out of a Third Party Claim (such claim for indemnification being referred to herein as a “Claim”) shall promptly notify the Indemnifying Party of such Claim in writing. Such notice shall be a condition precedent to any liability of the Indemnifying Party for such Claim under this Article VI, and such notice shall describe the Claim in reasonable detail and shall indicate the amount (estimated if necessary) of the Loss and Expense that has been or may be sustained by the Indemnified Party.

(c) Third Party Claims. In the event that any of the Indemnified Parties is made or threatened to be made a defendant in or party to any action or proceeding, judicial or administrative, instituted by any third party, the liabilities for which, or the costs or expenses of which, are or would be a Loss and Expense for which the Indemnified Party is entitled to indemnification hereunder (any such third party action or proceeding being referred to herein as a “Third Party Claim”), the Notifying Party shall give the Indemnifying Party notice in writing, within ten (10) calendar days after learning of such Third Party Claim. The failure to timely give such notice shall not affect any Indemnified Party’s ability to seek reimbursement except to the extent such failure adversely affects the Indemnifying Party’s ability to defend successfully a Third Party Claim or such notice is given after the expiration of the applicable survival period set forth in Section 6.01. The Indemnifying Party shall be entitled to contest and defend such Third Party Claim; provided, that the Indemnifying Party diligently contests and defends such Third Party Claim. Notice of the intention to contest and defend shall be given by the Indemnifying Party to the Notifying Party within ten (10) Business Days after the Notifying Party’s notice of such Third Party Claim (but in all events as soon as possible prior to the date an answer or other defense to such Third Party Claim is due to be filed). Such contest and defense shall be conducted by competent counsel employed by the Indemnifying Party and reasonably acceptable to the Notifying Party. The Notifying Party shall be entitled at any time, at its own cost and expense (which expense shall not constitute a Loss and Expense) to participate in such contest and defense and to be represented by attorneys of its or their own choosing. If the Notifying Party elects to participate in such defense, the Notifying Party shall cooperate with the Indemnifying Party in the conduct of such defense. Neither the Notifying Party nor the Indemnifying Party may concede, settle or compromise any Third Party Claim without the consent of the other Party, which consent shall not be unreasonably withheld or delayed. Subject to the preceding sentence, in the event the Indemnifying Party fails to contest and defend a Third Party Claim, the Notifying Party shall be entitled to contest and defend such Third Party Claim in such manner and on such terms as the Notifying Party may deem appropriate, and the Indemnifying Party shall be liable for the Loss and Expense of the Notifying Party in accordance with the provisions of this Article VI.

Section 6.05 Limitations.

(a) Excluded Losses and Basket. Notwithstanding anything herein to the contrary, Seller shall have no obligation or liability to indemnify a Buyer Indemnified Party under this Article VI: (i) with respect to any claim or series of related claims, unless in the reasonable estimate of the Notifying Party, the amount of indemnifiable Loss and Expense in respect of such claims is greater than or equal to \$100,000.00 (a “Qualifying Claim”); and (ii) unless and until the aggregate indemnifiable Loss and Expense suffered by the Buyer Indemnified Parties arising out of Qualifying Claims exceeds one percent (1%) of the Purchase

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Price, in which event only the Losses and Expenses in excess of such amount shall be paid in accordance with the terms of this Article VI. The foregoing limitations shall not apply to any Loss and Expense resulting from or arising out of (A) a breach of an Identified Representation, or (B) Taxes which are covered by Article VII.

(b) Multiple Indemnification. Notwithstanding anything to the contrary herein, to the extent that an Indemnified Party has multiple rights of indemnification pursuant to this Article VI or Article VII, such Indemnified Party may only, consistent with the limitations set forth herein, recover such Loss and Expense one time.

(c) Maximum Indemnification Liability of Seller. Notwithstanding anything herein to the contrary, the maximum aggregate liability of Seller to the Buyer Indemnified Parties pursuant to Section 6.02 shall be an amount equal to fifteen percent (15%) of the Purchase Price; provided, however, that the foregoing limitation shall not apply to (i) any Loss and Expense resulting from or arising out of a breach of a Seller's Identified Representation, in which case the maximum aggregate liability of Seller to the Buyer Indemnified Parties pursuant to Section 6.02 shall in no event exceed an amount equal to the Purchase Price or (ii) any Loss and Expense resulting from or arising out of or resulting from the Excluded Liabilities or Taxes, in which case the maximum aggregate liability of Seller to the Buyer Indemnified Parties pursuant to Section 6.02 shall not be limited.

(d) Adjustment for Tax Benefit and Insurance Coverage. The Parties shall make all appropriate adjustments for tax benefits and insurance coverage in determining the amount of any Loss and Expense for purposes of this Article VI, the intent being that Losses and Expenses recoverable by an Indemnified Party from an Indemnifying Party shall be net of any tax benefits and insurance proceeds available to or recovered by the Indemnified Party, taking into account any tax costs (or reduction in tax benefits) resulting from the indemnity payments and insurance proceeds.

#### Section 6.06 Exclusive Remedy.

Except for any remedies set forth in Article VIII of this Agreement, the indemnification rights provided to the Parties pursuant to this Article VI, as limited by and subject to the provisions of this Article VI, shall be the Parties' sole and exclusive remedy with respect to this Agreement and the other Transaction Agreements, including with respect to any breach of any representation or warranty by, or covenant or obligation of, the other Party under this Agreement and the other Transaction Agreements, other than with respect to: (i) Tax indemnification claims under Article VII; (ii) a breach of the covenant contained in Section 9.05; and (iii) any action or inaction by a Party that constitutes fraud.

#### Section 6.07 Exclusion.

Notwithstanding anything to the contrary in this Article VI, Seller shall not be obligated under this Article VI to indemnify any Buyer Indemnified Party for any Loss and Expense that directly arises out of or results directly from any event, occurrence or state of facts disclosed in the Schedules to this Agreement.

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## ARTICLE VII TAX MATTERS

#### Section 7.01 Tax Returns For Periods After the Original PSA Closing Date Through the Closing Date.

(A) Buyer shall not file or cause to be filed an amended Tax Return for GTN LLC for any taxable period or portion of a taxable period after the Original PSA Closing Date through the Closing Date, without the consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed.

#### Section 7.02 Transfer Taxes.

The Parties acknowledge and agree that neither Party has identified any Transfer Taxes that would result from the transactions contemplated by this Agreement. However, if any Transfer Taxes are owed by either Party on account of the transactions contemplated by this Agreement, they shall be borne equally by Buyer and Seller.

#### Section 7.03 Controversies for Periods Prior to the Closing Date.

(A) Notwithstanding anything to the contrary in the GTN A&R LLC Agreement, Seller or the Seller's representative, at its sole expense, shall have the authority to represent the interests of GTN LLC with respect to any inquiries, claims, assessments, audits or similar events (each, a "Tax Matter") relating to any period prior to the Closing Date before the U.S. Internal Revenue Service, any other taxing authority, any other governmental agency or authority or any court and shall have the sole right to control the defense, compromise or other resolution of any Tax Matter, including responding to inquiries, filing Tax Returns and contesting, defending against and resolving any assessment for additional Taxes or notice of Tax deficiency or other adjustment of Taxes of, or relating to, such Tax Matter; provided, however, that neither Seller nor any of its Affiliates shall enter into any settlement of or otherwise compromise any Tax Matter that adversely affects or may adversely affect the Tax liability of Buyer (or its direct or indirect partners), GTN LLC or any Affiliate of the foregoing without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed. Seller or the Seller's representative shall keep Buyer fully and timely informed with respect to the commencement, status and nature of any Tax Matter and shall provide Buyer with a copy of all correspondence, notices and filings received or sent by Seller in connection with such proceedings. Seller shall, in good faith, allow Buyer, at its sole expense, to make comments to Seller or Seller's representative, regarding the conduct of or positions taken in any such proceeding and to participate in such proceeding.

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(B) Except as otherwise provided in Section 7.03(a), from and after the Closing Date, Tax Matters will be handled in accordance with the GTN A&R LLC Agreement.

Section 7.04 Tax Indemnity for Taxes For Periods After the Original PSA Closing Date Through the Closing Date.

Notwithstanding any other provisions of this Agreement, this Article VII shall apply to indemnifications by Seller to Buyer for, and shall be the sole remedy of Buyer in respect of, the losses described in the following sentence relating to Taxes in respect of taxable periods and portions of taxable periods after the Original PSA Closing Date through the Closing Date, and such indemnifications shall not be subject to any limitations described in Section 6.05 hereof. Notwithstanding any provision to the contrary contained in this Agreement, Seller agrees to indemnify, defend and hold harmless Buyer against forty-five percent (45%) of: (i) Taxes attributable to, or resulting from the breach of any representation or warranty made pursuant to Section 2.12 of this Agreement as of the Closing Date; (ii) Income Taxes imposed on or asserted against the properties, income or operations of GTN LLC or for which GTN LLC may otherwise be liable, for all taxable periods or portions of taxable periods after the Original PSA Closing Date through the Closing Date; (iii) Taxes other than Income Taxes imposed on or asserted against the properties, income or operations of GTN LLC or for which GTN LLC may otherwise be liable, for all taxable periods or portions of taxable periods after the Original PSA Closing Date through the Effective Date; (iv) Taxes except for Transfer Taxes, which are the responsibility of Buyer and Seller pursuant to Section 7.02, imposed on GTN LLC or for which GTN LLC may be liable, as a result of any transaction contemplated by this Agreement; (v) Income Taxes for which GTN LLC is liable as a result of any election for GTN LLC to be treated as other than a partnership for U.S. federal, state or local income tax purposes that is filed at any time after the Original PSA Closing Date and on or prior to the Closing Date (other than any election by or at the behest of Buyer). Notwithstanding anything to the contrary in this Section 7.04, the Original PSA shall control the responsibility for Taxes for periods and portions of periods through the Original PSA Closing Date. Amounts of Taxes taken into account in determining Working Capital shall not be subject to this Section 7.04.

Section 7.05 Tax Refunds for Periods After the Original PSA Closing Date Through the Closing Date.

Buyer shall pay to Seller an amount equal to forty-five percent (45%) of any refunds of Taxes received by GTN LLC that are attributable to Taxes with respect to any taxable period or portion of a taxable period after the Original PSA Closing Date through the Closing Date. Such payments shall be made by Buyer within ten (10) Business Days after GTN LLC receives any such refund. Amounts of Taxes taken into account in determining Working Capital shall not be subject to this Section 7.05.

Section 7.06 Allocation of 2013 Taxable Income and Loss.

Notwithstanding Section 4.4 of the GTN A&R LLC Agreement, profits and losses (and items thereof) of GTN LLC for federal, state and local income tax purposes with respect to any

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taxable period which begins before the Closing Date and ends after the Closing Date shall be allocated between Seller and Buyer using the "closing of the books" method.

## ARTICLE VIII TERMINATION

Section 8.01 Termination.

This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written consent of Buyer and Seller;
- (b) by either Buyer or Seller by written notice to the other Party if the Closing shall not have occurred before August 31, 2013; provided, that the right to terminate this Agreement pursuant to this Section 8.01(b) shall not be available to a Party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date; or
- (c) by either Buyer or Seller by written notice to the other Party if there shall have been a material breach or default of any of the representations, warranties, covenants or agreements of such other Party hereunder that reasonably cannot be or has not been cured within thirty (30) calendar days after delivery of written notification thereof by the terminating Party and which material breach or default would result in a failure to satisfy the conditions to Closing set forth in Section 5.02 or Section 5.03, as the case may be.

Section 8.02 Effect of Termination.

If this Agreement is terminated in accordance with this Article VIII, all further obligations of the Parties hereunder shall terminate. In the event of a termination contemplated hereby by any Party pursuant to this Article VIII, the transactions contemplated hereby shall be abandoned without further action by any Party hereto, and there shall be no obligation of or liability under this Agreement to any Party hereto, or their respective shareholders, directors, officers, employees, representatives or agents, except that this Section 8.02 and Article IX shall survive termination of this Agreement.

## ARTICLE IX MISCELLANEOUS

Section 9.01 Modification.

This Agreement may be amended or modified only by a written instrument executed by Buyer and Seller.

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Section 9.02 Notices.

All notices which are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be deemed given: (i) the next Business Day after being sent by Federal Express or any other recognized overnight courier service providing delivery confirmation; (ii) three (3) Business Days after mailing by certified or registered mail, with postage prepaid and with return receipt requested; or (iii) when a confirmation is received after being sent by legible facsimile transmission, addressed as follows:

If to Sellers to: TransCanada American Investments Ltd.  
717 Texas Street  
Suite 2400  
Houston, Texas  
77002-2761  
Attention: Corporate Secretary  
Fax: (832) 320-5201

with a copy (which shall not constitute notice) to:

TransCanada PipeLines Limited  
450 — 1st Street S.W.  
Calgary, Alberta  
Canada  
T2P 5H1  
Attention: General Counsel  
Fax: (403) 920-2411

If to Buyer to: TC PipeLines Intermediate Limited Partnership  
c/o TC PipeLines GP, Inc.  
450 — 1<sup>st</sup> Street, S.W.  
Calgary, Alberta  
Canada  
T2P 5H1  
Attention: Secretary  
Fax: (403) 920-2460

with a copy (which shall not constitute notice) to:

Alan Talkington, Esq.  
Orrick, Herrington & Sutcliffe LLP  
405 Howard Street  
San Francisco, CA 94105

or to such other address or addresses as any Party shall have designated by notice in writing to the other Party in accordance with this [Section 9.02](#).

#### Section 9.03 [Entire Agreement](#).

The Transaction Agreements and all the other documents executed and delivered by Buyer and Seller pursuant hereto (or as contemplated hereby), contain the entire understanding of the Parties with respect to the subject matter of this Agreement, and there are no representations, warranties, covenants or agreements other than those expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the subject matter of this Agreement.

#### Section 9.04 [Successors and Assigns](#).

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

#### Section 9.05 [Press Releases](#).

The initial press release or releases to be issued in connection with the execution of this Agreement shall be mutually agreed upon by the Parties prior to the issuance thereof. Prior to the fifth (5<sup>th</sup>) Business Day prior to the Closing, Buyer and Seller shall consult with each other before they or any of their Affiliates issue any other press release or otherwise make any other public statement with respect to this Agreement or the transactions contemplated hereby. Following any termination of this Agreement, Buyer and Seller shall consult with each other before they or any of their Affiliates issue any other press release or otherwise make any other public statement with respect to such termination. Buyer and Seller and their Affiliates shall not issue any other press release or make any such other public statement prior to any consultation (but no approval thereof shall be required), except as maybe required by Applicable Law or stock exchange rule.

#### Section 9.06 [Assignment](#).

This Agreement, and any right or obligation hereunder may be assigned or delegated (in whole or in part) only in accordance with this [Section 9.06](#). Upon the prior, written consent of the other Party hereto, a Party may assign this Agreement or a right hereunder, or delegate an obligation hereunder, to another Person.

#### Section 9.07 [Severability](#).

The terms of this Agreement are fully severable, and the decision or judgment of any court of competent jurisdiction rendering void or unenforceable any one or more of such terms shall not render void or unenforceable any of the other terms hereof.

Section 9.08 Captions; Article and Section References.

The caption at the heading of each Article and Section of this Agreement is for convenience of reference only and is not to be deemed a part of the Agreement itself and will not affect the meaning or interpretation of this Agreement. Article and section references are to the articles and sections of this Agreement unless otherwise indicated.

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Section 9.09 Choice of Law.

This Agreement shall be construed and enforced in accordance with the laws of the State of New York, without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

Section 9.10 Counterparts.

This Agreement may be executed and delivered in one or more counterparts, including facsimile counterparts with originals to follow, each of which shall be deemed to be part of one and the same original document.

Section 9.11 Waiver.

Any of the terms and conditions of this Agreement may be waived in writing at any time on or prior to the Closing Date by the Party entitled to the benefits thereof. No waiver by any Party of any breach of this Agreement shall be deemed a waiver of any subsequent breach of the same or any other provision.

Section 9.12 Construction.

The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. For the purposes hereof: (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires; (ii) the terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the appendices and exhibits hereto) and not to any particular provision of this Agreement, and Article, Section, paragraph, appendix and exhibit references are to the Articles, Sections, paragraphs, appendices and exhibits to this Agreement unless otherwise specified; (iii) the word "including" and words of similar import when used in this Agreement shall mean "including without limitation" unless the context otherwise requires or unless otherwise specified; (iv) the phrase "ordinary course of business" or "normal course" or any similar phrase shall mean "ordinary course of business consistent with past practice" unless the context requires otherwise or unless otherwise specified; (v) all references to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; and (vi) all monies are deemed to be in U.S. dollars unless otherwise stated.

Section 9.13 Incorporation of Exhibits, Schedules and Appendices.

Any Exhibits, Schedules, and Appendices identified in this Agreement are incorporated herein by reference and made a part hereof.

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Section 9.14 No Third-Party Beneficiaries.

This Agreement shall not confer any rights or remedies upon any Person other than the Parties, the Buyer Indemnified Parties, the Seller Indemnified Parties and their respective successors and permitted assigns.

Section 9.15 No Consequential or Punitive Damages.

No Party shall be liable to any other Party or Person for any consequential, exemplary, special or punitive damages in connection with this Agreement or the other Transaction Agreements.

Section 9.16 Time of Essence.

Time is of the essence under this Agreement.

Section 9.17 Defined Terms.

For purposes of this Agreement, the terms set forth in Appendix A hereto shall have the meanings set forth therein.

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by duly authorized officers of the Parties as of the day and year first above written.

**TRANSCANADA AMERICAN INVESTMENTS LTD.**

By: /s/ Lauri Newton  
Name: Lauri Newton  
Title: Assistant Secretary

By: /s/ Nancy F. Priemer  
Name: Nancy F. Priemer  
Title: Vice-President, Financial Services

**TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP**  
by TC PipeLines GP, Inc., its General Partner

By: /s/ Steven D. Becker  
Name: Steven D. Becker  
Title: President

By: /s/ Stuart P. Kampel  
Name: Stuart P. Kampel  
Title: Vice-President and General Manager

[Signature Page to Purchase Agreement]

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**APPENDIX A**

**DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings:

“Acquisition Date” means November 1, 2004.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly controls (including all directors and officers of such Person), is controlled by, or through one or more intermediaries, under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, Buyer and Seller shall not be considered Affiliates of one another for the purposes of this Agreement.

“Agreement” has the meaning set forth in the preamble.

“Applicable Law” means, with respect to any Person, any statute, law, regulation, ordinance, rule, judgment, rule of common law, order or decree, directive, guideline, policy, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, whether in effect as of the date hereof or thereafter, and in each case as amended, applicable to such Person or its subsidiaries or their respective assets.

“Assignment and Assumption Agreement” means the agreement attached as Exhibit B hereto.

“Base Purchase Price” means Seven Hundred Fifty Million U.S. Dollars (USD\$ 750,000,000) less One Hundred Forty-Six Million Two Hundred Fifty Thousand U.S. Dollars (USD\$ 146,250,000).

“Bison PSA” means the purchase and sale agreement, dated as of the date hereof, between TC Continental Pipeline Holdings Inc. and Buyer for a 45% membership interest in Bison Pipeline LLC.

“Business” means GTN LLC’s business of constructing, owning and operating the GTN Pipeline and transporting natural gas on its system pursuant to transportation contracts with shippers.

“Business Day” means any day on which banks are generally open to conduct business in New York, New York.

“Buyer” has the meaning set forth in the preamble.

“Buyer Indemnified Parties” has the meaning set forth in Section 6.02(a).

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“Carty Lateral” means the lateral pipeline that is the subject of the Carty Lateral Precedent Agreement, as amended on March 28, 2013, and any future amendments which are approved by Buyer, such approval not to be unreasonably withheld.

“Carty Lateral Precedent Agreement” means the Precedent Agreement for Firm Natural Gas Transportation Service, dated as of July 20, 2012, between GTN LLC and Portland General Electric Company.

“Claim” has the meaning set forth in Section 6.04(b).

“Closing” has the meaning set forth in Section 1.04.

“Closing Date” has the meaning set forth in Section 1.04.

“Closing Payment” means the Estimated Purchase Price increased by the Interest Amount.

“Closing Statement” has the meaning set forth in Section 1.05(a).

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Contract” means any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument, employee benefit plan or practice, or other agreement, obligation or commitment or concession of any nature.

“Current Assets” means the aggregate of (i) cash, (ii) accounts receivable (iii) accounts receivable and advances receivable from affiliated companies, including advances receivable from TransCanada PipeLine USA Ltd. under its cash management agreement (iv) plant material and operating supplies and (v) prepayments.

“Current Liabilities” means the aggregate of (i) accounts payable, (ii) payables and advances to affiliated companies, including advances payable to TransCanada PipeLine USA Ltd. under its cash management agreement (iii) accrued taxes other than Income Taxes and (iv) other current and accrued liabilities due within a year. For the avoidance of doubt, Current Liabilities shall not include accrued Income Taxes.

“Dispute” means any dispute, controversy or claim arising out or relating to this Agreement or the breach, termination or validity thereof.

“Effective Date” means 12:01 am on July 1, 2013.

“Environmental Laws” means any foreign, federal, state or local law, statute, ordinance, order, decree, rule or regulation relating to releases, discharges, emissions or disposals to air, water, land or groundwater of Hazardous Materials; to the use, handling, transport, release or disposal of polychlorinated biphenyls, asbestos or urea formaldehyde or any other Hazardous Material; to the treatment, storage, disposal or management of Hazardous Materials; to exposure

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to toxic, hazardous or other controlled, prohibited or regulated substances; to health or safety in the workplace; and to the protection of the public’s health and safety and the environment, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq., the Toxic Substances Control Act, 15 U.S.C. 2601, et seq., the Occupational, Safety and Health Act, 29 U.S.C. 651, et seq., the Clean Air Act, 42 U.S.C. 7401, et seq., the Federal Water Pollution Control Act, 33 U.S.C. 1251, et seq., the Safe Drinking Water Act, 42 U.S.C. 300f, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. 1802 et seq. and the Emergency Planning and Community Right to Know Act, 42 U.S.C. 11001 et seq., and other comparable foreign, state and local laws and all rules, regulations and guidance documents promulgated pursuant thereto or published hereunder.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time and the regulations promulgated and rulings issued hereunder.

“Estimated Purchase Price” means the Base Purchase Price, adjusted as follows: (x) if the Estimated Working Capital is in excess of the Reference Amount, the Base Purchase Price shall be increased by forty-five percent (45%) of the amount of such excess in order to determine the Estimated Purchase Price and (y) if the Estimated Working Capital is less than the Reference Amount, the Base Purchase Price shall be decreased by forty-five percent (45%) of the amount of the deficiency.

“Estimated Working Capital” means Seller’s good faith estimate of the Working Capital as of the Effective Date.

“Excluded Liabilities” means Cause No. 0912-17987, Pacificorp and Hermiston Generating Company, L.P. v. Northwest Pipelines GP and Gas Transmission Northwest Corporation, in the Circuit Court for the County of Multnomah.

“Financial Statements” has the meaning set forth in Section 2.10.

“FTSA” has the meaning set forth in Section 1.02(b).

“GAAP” means U.S. generally accepted accounting principles. All references to GAAP shall mean GAAP as in effect on the date hereof, unless otherwise specified.

“Governmental Authority” means any federal, state, county, municipal, regional or other governmental authority, agency, board, body, instrumentality, commission or political subdivision of any of the foregoing, or any court or arbitrator.

“GTN A&R LLC Agreement” has the meaning set forth in Section 1.06(d).

“GTN LLC” has the meaning set forth in the recitals.

“GTN LLC Agreement” means that certain Amended and Restated Limited Liability Company Agreement of GTN LLC dated as of May 3, 2011.

“GTN LLC Budget” means the budget of GTN LLC attached hereto as Exhibit C.

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“GTN Interest” has the meaning set forth in the recitals.

“GTN Pipeline” means, collectively with all associated laterals and meter stations, a natural gas pipeline system consisting of the GTN pipeline, plus any expansions or improvements undertaken, in whole or in part, by GTN LLC.

“Hazardous Material” means any substance, waste, pollutant, contaminant or material subject to regulation under any Environmental Law.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and the rules and regulations promulgated thereunder.

“HSR Approval” has the meaning set forth in Section 2.03(b).

“Identified Representation” has the meaning set forth in Section 6.01.

“Income Tax” means federal, state, local, or foreign income or franchise Taxes or other similar Taxes measured in whole or in part by income and any interest and penalties or additions thereon.

“Indemnified Party” has the meaning set forth in Section 6.04(a).

“Indemnifying Party” has the meaning set forth in Section 6.04(a).

“Independent Accounting Firm” means an independent nationally recognized accounting firm as mutually selected by Seller and Buyer.

“Interest Amount” means interest (calculated based on the actual number of days elapsed, assuming a 360-day year) on the Estimated Purchase Price at the Prime Rate in effect on the date the Closing Payment is provided from (and including) the Effective Date to (and excluding) the Closing Date.

“Knowledge” means the actual knowledge of Eva Neufeld, Todd Johnson and Dean Ferguson.

“Lien” means any lien, pledge, charge, claim, security interest, purchase agreement, option, restriction on transfer or other recorded encumbrance of any nature whatsoever, whether consensual, statutory or otherwise.

“Loss and Expense” has the meaning set forth in Section 6.02.

“Material” means material in relation to the business or operations of GTN LLC, taken as a whole.

“Material Adverse Effect” means any circumstance, change or effect that is materially adverse to the financial condition or results of operations of GTN LLC, taken as a whole, or that impedes or delays the ability of Seller to perform its obligations under this Agreement or to consummate the transactions contemplated hereby, other than (i) any adverse circumstance,

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change, or effect arising from or relating to general business or economic conditions in the industries or markets in which GTN LLC operates not having a materially disproportionate affect on GTN LLC as compared to other participants in such industry or market, including (A) changes in national or regional gathering, pipeline or storage facilities or (B) rules, regulations or decisions of FERC or the courts affecting the natural gas transportation industry as a whole or the natural gas storage industry as a whole, (ii) any adverse circumstance, change or effect arising from weather conditions, including unexpected or harsh weather conditions, (iii) seasonal reductions in revenues or earnings of GTN LLC in the ordinary course of business consistent with past periods, (iv) national or international political, diplomatic or military conditions (including any engagement in hostilities, whether or not pursuant to a declaration of war, or the occurrence of any military or terrorist attack) not disproportionately affecting GTN LLC as compared to other participants in the industries or markets in which GTN LLC operates, (v) changes in GAAP, (vi) changes in Applicable Laws not disproportionately affecting GTN LLC as compared to other participants in the industries or markets in which GTN LLC operates, (vii) the failure of Seller to take any action for which Seller in good faith requests Buyer’s written consent under Section 4.03 and Buyer refuses to provide such consent, (viii) any changes in prices for commodities, goods, or services, or the availability or costs of hedges or other derivatives, including fluctuations in interest rates, (ix) any matter that is expressly disclosed in the Schedules as of the date of execution of this Agreement, and (x) the execution and delivery or announcement of this Agreement. The Parties agree that any determination as to whether a change, effect, event, or occurrence is a Material Adverse Effect shall be made after taking into account and considering all matters relevant to such analysis, including (y) all amounts, if any, recognized by the Person and its Affiliates, as applicable, under insurance or third-party indemnifications or similar agreements, and (z) all Tax benefits with respect to such change, effect, event, or occurrence.

“Material Agreements” has the meaning set forth in Section 2.18.

“Notifying Party” has the meaning set forth in Section 6.04(a).

“Original PSA” has the meaning set forth in the recitals.

“Overlap Period” has the meaning set forth in Section 7.01(a)(ii).

“Party” has the meaning set forth in the preamble.

“Percentage Interests” means the percentage interest of Buyer and Seller in GTN LLC, which shall be 25% and 75%, respectively, immediately prior to Closing and 70% and 30%, respectively, at and after Closing.

“Permit” means any permit, license, approval or other authorization required or granted by any Governmental Authority.



“Permitted Encumbrances” means (i) defects, imperfections or irregularities in title (including easements, rights-of-way, covenants, conditions, restrictions, and other matters affecting title to real property) that are not material in character, amount, extent with respect to the asset or assets to which they relate or, together with any other such defects, imperfections or irregularities, in the aggregate; (ii) encumbrances created by or referenced in any of the Material

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Agreements; (iii) encumbrances, created by Buyer, or their successors and assigns, (iv) Liens for Taxes not yet due and payable, and (v) statutory Liens (including materialmen’s, mechanic’s, repairmen’s, landlord’s and other similar Liens) arising in connection with the ordinary course of business securing payments not yet due and payable.

“Person” means a person, corporation, partnership, limited liability company, joint venture, trust or other entity or organization.

“Potential Additional Carry Lateral Consideration” means Twenty-Five Million U.S. Dollars (USD\$ 25,000,000).

“Prime Rate” means the prime interest rate reported in The Wall Street Journal.

“Promissory Note” has the meaning set out in Section 1.05(b).

“Purchase Price” has the meaning set out in Section 1.02.

“Qualifying Claim” has the meaning set forth in Section 6.05(a).

“Reference Amount” means Eight Million Seven Hundred Ninety-Four Thousand Thirty-Five U.S. Dollars (USD\$ 8,794,035).

“Reputable Insurer” means any financially sound and responsible insurance provider rated “A-X” or better by A.M. Best Company (or if such ratings cease to be published generally for the insurance industry, meeting comparable financial standards then applicable to the insurance industry).

“Request” has the meaning set forth in Section 4.04.

“Securities Act” means the federal Securities Act of 1933, as amended.

“Seller” has the meaning set forth in preamble.

“Seller Indemnified Parties” has the meaning set forth in Section 6.03(a).

“Tax” or “Taxes” means all income, gross receipts, profits, franchise, sales, use, ad valorem, occupation, property (including in lieu-of-taxes), capital, environmental, employment, severance, excise, workers’ compensation, social security, withholding or similar taxes or other governmental fees or charges of a similar nature, however denominated, imposed by any federal, state, local, foreign or other political subdivision taxing authority, whether imposed directly on a person or resulting under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise, and including any interest and penalties (civil or criminal) on or additions to any such taxes or in respect of a failure to comply with any requirement relating to any Tax Return and any expenses incurred in connection with the determination, settlement or litigation of any tax liability.

“Tax Matter” has the meaning set forth in Section 7.03(a).

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“Tax Return” means any return, report, statement, information or other document including any amendment thereto filed or to be filed or required to be filed or supplied to any federal, state, local or foreign Tax authority or any other government entity with respect to Taxes, including, where permitted or required, combined, consolidated, unitary or any similar returns for any group of entities.

“Third Party Claim” has the meaning set forth in Section 6.04(c).

“Transaction Agreements” means this Agreement and the Assignment and Assumption Agreement and any documents or certificates to be provided pursuant thereto.

“Transfer Taxes” means any and all transfer Taxes, including sales taxes, use, excise, stock, stamp, documentary, filing, recording, permit, license, authorization, and similar Taxes fees, duties, levies, customs, tariffs, imposts, assessments, obligations and charges.

“Violation” has the meaning set forth in Section 2.03(a).

“Working Capital” means (i) Current Assets, minus (ii) Current Liabilities. For the avoidance of doubt, Working Capital may be a negative number.

“Working Capital Adjustment Statement” means the statement provided pursuant to Section 1.03(a).

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## AGREEMENT FOR PURCHASE AND SALE

OF

## MEMBERSHIP INTEREST

by and between

TC CONTINENTAL PIPELINE HOLDINGS INC.,

as SELLER

and

TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP,

as BUYER

May 15, 2013

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**AGREEMENT FOR PURCHASE AND SALE  
OF  
MEMBERSHIP INTERESTS**

THIS AGREEMENT FOR PURCHASE AND SALE OF MEMBERSHIP INTEREST (this "Agreement"), is executed as of this 15<sup>th</sup> day of May, 2013, by and among TC CONTINENTAL PIPELINE HOLDINGS INC., a Delaware corporation ("Seller") and TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP, a Delaware limited partnership ("Buyer"). Seller and Buyer are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**W I T N E S S E T H:**

WHEREAS, Seller and Buyer each own a 75% and 25% membership interest, respectively, in Bison Pipeline LLC, a Delaware limited liability company ("Bison LLC");

WHEREAS, Buyer acquired a 25% membership interest in Bison LLC pursuant to an Agreement for Purchase and Sale of Membership Interests, by and between Seller and Buyer, dated April 26, 2011 (the "Original PSA") at a closing held May 3, 2011 (the "Original PSA Closing Date"); and

WHEREAS, Buyer desires to purchase and acquire, and Seller desires to sell and assign a 45% membership interest in Bison LLC (the "Bison Interest") pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE I  
SALE AND PURCHASE**

Section 1.01. Agreement to Sell and to Purchase Bison Interest.

At the Closing, and on the terms and subject to the conditions set forth in this Agreement, Seller shall sell, assign and deliver to Buyer, and Buyer shall purchase and accept from Seller, the Bison Interest.

Section 1.02. Purchase Price.

The purchase price to be paid by Buyer to Seller for the Bison Interest (the "Purchase Price") shall equal the Closing Payment, which shall be adjusted in accordance with Section 1.03.

Section 1.03. Purchase Price Adjustment.

(a) Within ninety (90) days after the Closing, Seller shall prepare and deliver to Buyer a written statement (the "Working Capital Adjustment Statement"), together with

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supporting work papers with respect to the calculation of the amounts set forth therein, which reflects the Working Capital as of the Effective Date for Bison LLC. Seller agrees to cooperate with Buyer in connection with the preparation of the Working Capital Adjustment Statement and related information, and shall provide to Buyer and Buyer's representatives such books, records, information, and access to such of Bison LLC's or its Affiliates' employees and properties during normal business hours, as may be reasonably requested from time to time by Buyer or its representatives.

(b) Buyer may dispute the Working Capital Adjustment Statement and the items reflected therein; provided, however, that Buyer shall notify Seller in writing of any disputed amounts, and provide a reasonably detailed description of the basis of such dispute, within ninety (90) days after Buyer's receipt of the Working Capital Adjustment Statement. In the event of such a dispute, Buyer and Seller shall attempt to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on the Parties. If Buyer and Seller are unable to reach a resolution of any such differences within ninety (90) days after Seller's receipt of Buyer's written notice of dispute, Buyer and Seller shall submit the amounts remaining in dispute for determination and resolution to the Independent Accounting Firm, which shall be instructed to determine and report to the Parties, within ninety (90) days after such submission, a resolution of such remaining disputed amounts, and such resolution shall be final, binding and conclusive on the Parties hereto with respect to the remaining amounts disputed. The fees and disbursements of the Independent Accounting Firm shall be shared equally by Buyer, on the one hand, and Seller, on the other hand. For the avoidance of doubt, the Working Capital Adjustment Statement and the amounts reflected thereon shall be deemed to be modified to the extent of any changes thereto that become final, binding and conclusive on the Parties based on mutual agreement or a determination of the Independent Accounting Firm in accordance with this Section 1.03(b).

(c) Within five (5) Business Days after the earliest to occur of (i) a mutual written agreement of Buyer and Seller with respect to the Working Capital Adjustment Statement, (ii) the termination of the ninety (90) day period described in Section 1.03(b) if Buyer does not provide a notice of dispute within such period as provided therein and (iii) the final determination of all such disputed amounts in accordance with Section 1.03(b), (A) if Working Capital as of the Effective Date exceeds the Estimated Working Capital, Buyer shall pay Seller forty-five percent (45%) of the amount of such excess, and (B) if Working Capital as of the Effective Date is less than the Estimated Working Capital, Seller shall pay to Buyer forty-five percent (45%) of

the amount of such deficiency. All payments made pursuant to the previous sentence shall be paid together with interest thereon for the period commencing on the Effective Date through the date of payment, calculated at the Prime Rate in effect on the Closing Date, in cash by wire transfer of immediately available funds.

Section 1.04. Time and Place of the Closing.

Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, 405 Howard Street, San Francisco, CA 94105 at 10:00 a.m., local time, on July 1, 2013 provided that all of the conditions to each Party's obligations hereunder have been satisfied or waived (other than conditions to be

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satisfied at the Closing), or at such other place or time as the Parties may agree. The date and time at which the Closing actually occurs is hereinafter referred to as the "Closing Date." Other than with respect to those matters that are effective or applicable as of the Effective Date as expressly provided herein, the Closing shall be effective for all purposes as of 12:01 a.m. Eastern time on the Closing Date.

Section 1.05. Closing Statement; Closing Payment.

(a) On the third (3<sup>rd</sup>) Business Day prior to Closing, Seller shall deliver to Buyer a statement (the "Closing Statement") setting forth (i) the Estimated Working Capital, and (ii) the Interest Amount. The Closing Statement shall be prepared by Seller in good faith and be accompanied by reasonably detailed supporting documentation.

(b) At the Closing, Buyer shall pay and satisfy the Closing Payment by executing and delivering to Seller a promissory note (the "Promissory Note") in an amount equal to the Closing Payment and in the form attached as Exhibit F hereto.

Section 1.06. Deliveries by Seller.

At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

- (a) the Assignment and Assumption Agreement, duly executed by Seller;
- (b) an executed certificate of non-foreign status satisfying the requirements of Treasury Regulation Section 1.1445-2(b) (2) (substantially in the form attached hereto as Exhibit A);
- (c) evidence satisfactory to the Buyer, acting reasonably, of the receipt of the HSR Approval;
- (d) the amended and restated limited liability company agreement of Bison LLC in the form attached hereto as Exhibit D (the "Bison A&R LLC Agreement"), duly executed by Seller
- (e) evidence satisfactory to the Buyer acting reasonably of the receipt of the consents described on Schedule 2.03; and
- (f) such other agreements, documents, instruments and writings as are expressly required to be delivered by Seller at or prior to the Closing Date pursuant to this Agreement.

Section 1.07. Deliveries by Buyer.

At the Closing, Buyer shall deliver or cause to be delivered to Seller the following:

- (a) the Closing Payment in the form of the Promissory Note;
- (b) the Assignment and Assumption Agreement, duly executed by Buyer;

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- (c) evidence satisfactory to the Seller, acting reasonably, of the receipt of the HSR Approval;
  - (d) the Bison A&R LLC Agreement, duly executed by Buyer; and
  - (e) such other agreements, documents, instruments and writings as are expressly required to be delivered by Buyer at or prior to the Closing Date pursuant to this Agreement.

Section 1.08. Deliveries by Seller on the Execution Date.

Contemporaneous with the execution of this Agreement, Seller has caused to be delivered to Buyer the Seller Parent Guaranty in the form attached hereto as Exhibit E duly executed by TransCanada PipeLine USA Ltd.

**ARTICLE II  
REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer that the statements contained in this Article II are correct and complete as of the date hereof as follows, except as set forth in the Schedules:

Section 2.01. Organization and Qualification.

Seller (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite corporate power and authority to own and operate its business as presently conducted, and (c) is duly qualified as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except for such failures to be so qualified as would not reasonably be expected to have a Material Adverse Effect.

Section 2.02. Authorization; Validity and Effect of Transaction Agreements.

Seller has the requisite power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Transaction Agreements by Seller and the performance of its obligations hereunder and thereunder and the consummation of all of the transactions contemplated hereby and thereby have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will, at or prior to the Closing, be) duly authorized by the board of directors (and, if required, shareholders) of Seller and by all other necessary corporate action, and no other proceedings are (or will be) necessary for Seller to authorize this Agreement or the other Transaction Agreements and the transactions contemplated hereby and thereby. This Agreement and the Transaction Agreements have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will at or prior to the Closing, be) duly and validly executed and delivered by Seller and constitute (or will constitute) legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium

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and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 2.03. No Conflict; Required Filings and Consents.

(a) Neither the execution and delivery by Seller of this Agreement and the Transaction Agreements, nor the performance by Seller of its obligations hereunder or thereunder, nor the consummation of the transactions contemplated hereby and thereby, will: (i) conflict with, or result in the breach of, any provision of the certificate of incorporation or bylaws of Seller; (ii) violate any Applicable Laws; or (iii) except as set forth on Schedule 2.03(a), conflict with or result in any violation or breach of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, suspension, modification or acceleration of any obligation or any increase in any payment required by, or the impairment, loss or forfeiture of any Material benefits, rights or privileges under, or the creation of a Lien on any assets pursuant to (any such conflict, violation, breach, default, right of termination, cancellation or acceleration, loss or Lien, a "Violation") any Contract (A) to which Seller is a party, (B) by which Seller or any of its assets or properties are bound or affected, or (C) pursuant to which Seller is entitled to any rights or benefits, except for such Violations which would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 2.03(b), and except for the filings required by the HSR Act and the expiration or earlier termination of all waiting periods under the HSR Act (the "HSR Approval"), no consent, approval, authorization, exemption or waiver of or permit from, or declaration, filing or registration with, any Governmental Authority or any other Person is required to be made or obtained by Seller in connection with the execution, delivery and performance of this Agreement or the other Transaction Agreements or the consummation of the transactions contemplated hereby or thereby, except where the failure to obtain such consent, approval, authorization, permit or declaration or to make such filing or registration would not reasonably be expected to have a Material Adverse Effect.

Section 2.04. Ownership and Delivery of the Bison Interest.

Seller is the legal and beneficial owner of 75% of the membership interests in Bison LLC. Except as set forth on Schedule 2.04, at the Closing, Seller will transfer good and valid title to the Bison Interest to Buyer, free and clear of any and all Liens. There are no outstanding subscriptions, options, warrants, calls, rights, commitments, arrangements, understandings or agreements of any character affecting Seller's right to transfer the Bison Interest as contemplated herein.

Section 2.05. No Brokers.

Seller does not have any liability to pay any compensation to any broker, finder or agent with respect to the transactions contemplated hereby for which Buyer or Bison LLC could be liable or that could result in any Lien on the Bison Interest.

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Section 2.06. Legal Proceedings.

There are no actions or proceedings pending or, to the Knowledge of Seller, threatened, against Seller before any court, arbitrator or Governmental Authority acting in an adjudicative capacity which, if adversely determined, would prohibit or restrain the execution, delivery or performance by Seller of this Agreement or the Transaction Agreements or any of the transactions contemplated hereby or thereby. Seller is not subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court or Governmental Authority which would prohibit or restrain the execution, delivery or performance by Seller of this Agreement, the Transaction Agreements or any of the transactions contemplated hereby or thereby.

Section 2.07. Absence of Certain Changes.

Except as set forth on Schedule 2.07, between March 31, 2013 and the date hereof: (a) Bison LLC has not incurred any liabilities or obligations, fixed, contingent, accrued or otherwise that are of the type that are required to be set forth on a balance sheet prepared in accordance with GAAP (except for liabilities and obligations incurred in the ordinary course of business); (b) Bison LLC has conducted the Business, in all Material respects, in the ordinary course; and (c) no event, occurrence or other matter has occurred that would reasonably be expected to have a Material Adverse Effect.

Section 2.08. Bison LLC Organization and Qualification.

Bison LLC (a) is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite limited liability company power and authority to own and operate its business as presently conducted and (c) is duly qualified as a foreign limited liability company in each of the jurisdictions where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except for such failures to be so qualified as would not reasonably be expected to have a Material Adverse Effect.

Section 2.09. No Subsidiaries.

(a) Bison LLC does not own any equity interest in any Person.

(b) Bison LLC is not a party to any Contract, or otherwise subject to any legal restriction, restricting its ability to distribute profits or make any other similar distributions, except (i) as set forth in Schedule 2.09(b) and (ii) for legal restrictions, if any, under the Delaware Limited Liability Company Act.

Section 2.10. Financial Statements.

Copies of the unaudited financial statements (including any notes and schedules thereto) of Bison LLC as at March 31, 2013 are attached as Schedule 2.10 (the "Financial Statements"). The Financial Statements (including in each case any related schedules and notes) fairly present in all Material respects the financial position of Bison LLC as of the date specified therein, and the results of its operations for the respective period so specified, and have been prepared in accordance with GAAP consistently applied throughout the period involved.

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Section 2.11. Litigation; Observance of Orders.

(a) Except as set forth on Schedule 2.11(a), there are no actions, suits or proceedings pending or, to the Knowledge of Seller, threatened against Bison LLC in any court or before any arbitrator of any kind or before or by any Governmental Authority that would reasonably be expected to have a Material Adverse Effect.

(b) Bison LLC is not in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority which default would reasonably be expected to have a Material Adverse Effect.

Section 2.12. Tax Matters.

Except as set forth in Schedule 2.12:

(a) all Material Tax Returns required to be filed by Bison LLC have been or will be timely filed with the appropriate taxing authorities in all jurisdictions in which such Tax Returns are required to be filed;

(b) such Tax Returns are or will be true and correct in all Material respects, and all Taxes reported on such Tax Returns have been or will be timely paid;

(c) Bison LLC has not extended or waived the application of any statute of limitations of any jurisdiction regarding the assessment or collection of any Tax;

(d) there are no audits, claims, assessments, levies, administrative proceedings, or lawsuits pending, or to the Knowledge of Seller, threatened against Bison LLC by any taxing authority and Bison LLC has not received any written notices from any taxing authority relating to any issue which could have a Material affect on the Tax liability of Bison LLC after the Closing Date;

(e) no election has been made by Bison LLC to be classified as an association taxable as a corporation for U.S. federal, state or local income tax purposes, and Bison LLC is currently treated as a partnership for all such purposes;

(f) there are no Liens for Taxes (other than for current Taxes not yet due or payable) upon the assets of Bison LLC;

(g) none of the assets of Bison LLC, directly or indirectly, secures any debt the interest on which is tax exempt under Section 103(a) of the Code;

(h) Seller is not a person other than a United States person within the meaning of the Code and the transactions contemplated herein are not subject to the tax withholding provisions of the Code;

(i) all Taxes which Bison LLC is (or was) required by law to withhold or collect in connection with amounts paid or owing to any employee, independent contractor,

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creditor, stockholder or other third party have been duly withheld or collected, and have been or will be timely paid over to the proper authorities to the extent due and payable;

(j) there are no Tax sharing, allocation, indemnification or similar agreements in effect as between Bison LLC, on the one hand, and any other party (including Seller and its other Affiliates and any predecessors thereof), on the other hand, under which Buyer or Bison LLC could be liable for any Taxes of any such party after the Closing Date;

(k) Bison LLC has not applied for, nor been granted, nor agreed to any accounting method change for which it will be required to take into account any adjustment under Section 481 of the Code or any similar provision of the Code or the corresponding tax laws of any nation, state or locality; and

(l) no written claim has been made by any taxing Governmental Authority in a jurisdiction where Bison LLC does not file Tax Returns that Bison LLC is or may be subject to taxation by that jurisdiction.

Section 2.13. Title to Real and Personal Property.

Except as set forth in Schedule 2.13, Bison LLC has good title in fee simple to, or has valid rights to lease or use, by easement, license, Contract or otherwise, all items of real and personal property used in the ordinary course of the Business, in each case free and clear of all Liens, except those that (a) do not materially interfere with the current use of such property by Bison LLC or (b) constitute Permitted Encumbrances.

Section 2.14. Permits; Intellectual Property.

(a) Bison LLC owns or possesses all Permits, patents, copyrights, service marks, trademarks and trade names, or rights thereto, necessary (i) for the operation, ownership and maintenance of the Bison Pipeline and (ii) for the conduct of the Business, except where the failure to own or possess the same would not reasonably be expected to have a Material Adverse Effect. Since the Acquisition Date, Bison LLC has not received any written notice of any revocation or modification of any such Permit, patent, copyright, service mark, trademark or trade name nor has it received any written notice that such Permit, patent, copyright, service mark, trademark or trade name will not be renewed in the ordinary course of business.

(b) Since the Acquisition Date, Bison LLC has made all declarations and filings with the appropriate Governmental Authorities that are necessary for the ownership, maintenance or lease of its Material properties and the conduct of the Business, except where the failure to make the same would not reasonably be expected to have a Material Adverse Effect.

Section 2.15. Condition of Assets.

(a) The Bison Pipeline and all other tangible Material property owned by Bison LLC have been maintained in all Material respects to prevailing industry standards for similar assets and, except as set forth on Schedule 2.15(a), are in satisfactory operating condition and repair, ordinary wear and tear excepted.

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(b) There are no capital expenditures currently required in order to preserve the satisfactory operating condition of the Bison Pipeline or other tangible Material property owned by Bison LLC, other than (i) as reflected in the Bison LLC Budget and (ii) normal maintenance expenditures that are incurred or expected to be incurred in the ordinary course of operating the Business.

Section 2.16. Employee Matters.

(a) Bison LLC does not have any employees. Except as set forth on Schedule 2.16(a), there are no employee or employee-benefit related liabilities to which Bison LLC is subject.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not involve any transaction that, absent an applicable exemption, is subject to the prohibitions of Section 406(b) of ERISA or in connection with which, absent an applicable exemption, a Tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code.

Section 2.17. No Violation or Default.

Except as set forth on Schedule 2.17, Bison LLC is not (a) in violation of the Bison LLC Agreement, or its certificate of formation; (b) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, under any Contract to which Bison LLC is a party or by which it is bound or to which any of its property or assets are subject; or (c) in violation of any Applicable Law or any judgment or order of any court or arbitrator or Governmental Authority, except, in the case of clauses (b) and (c) above, for any such default or violation that would not reasonably be expected to have a Material Adverse Effect. Notwithstanding the foregoing, it is understood and agreed that the representations and warranties set forth in this Section 2.17 shall not apply to (i) matters relating to Taxes (as the sole and exclusive representations and warranties regarding Taxes are set forth in Section 2.12), (ii) Permits, declarations and filings (as the sole and exclusive representations and warranties regarding Permits, declarations and filings are set forth in Section 2.14), (iii) employee matters (as the sole and exclusive representations and warranties regarding employee matters are set forth in Section 2.16) or (iv) environmental matters (as the sole and exclusive representations and warranties regarding environmental matters are set forth in Section 2.20).

Section 2.18. Material Agreements.

The Contracts set forth on Schedule 2.18 (collectively, the “Material Agreements”) constitute all Material gas transportation contracts, operation and maintenance agreements, construction contracts and other Material Contracts to which Bison LLC is a party or by which Bison LLC is bound or to which any of its property or assets is subject. The Material Agreements have been duly authorized, executed and delivered by Bison LLC and constitute valid and legally binding agreements of Bison LLC, enforceable against Bison LLC in accordance with their terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or

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affecting creditors’ rights generally and general equitable principles (whether considered in a proceeding in equity or at law).



Section 2.19. Insurance.

Bison LLC has insurance with Reputable Insurers covering its properties (including the Pipeline and related equipment) against loss or damage of the kinds customarily insured against by companies similarly situated in the industry in which Bison LLC conducts the Business, in such amounts and with such deductibles as is customary of similarly situated companies; and, since the Acquisition Date, Bison LLC has not received written notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance.

Section 2.20. Compliance With Environmental Laws.

Except as set forth on Schedule 2.20, since the Acquisition Date, Bison LLC: (a) has been operated in compliance with any and all Environmental Laws; (b) has received and is in compliance with all Permits required under applicable Environmental Laws to conduct the Business; (c) has not been the subject of any outstanding order or judgment from a Governmental Authority under applicable Environmental Laws requiring remediation or payment of a fine in an amount in excess of \$500,000 individually or in aggregate, and (d) has not received any written notice of any actual or potential liability for the violation of, or noncompliance with any Environmental Law, or the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants under any Environmental Law, except in the case of the foregoing clauses (a) and (b) for any such noncompliance as would not reasonably be expected to have a Material Adverse Effect. Except for actions and conditions which have not had and would not reasonably be expected to have a Material Adverse Effect, to the Knowledge of Seller, no condition exists on any property currently owned or leased by Bison LLC which would subject Bison LLC or such property to any remedial obligations or liabilities.

Section 2.21. No Conflict; Required Filings and Consents Applicable.

(a) Except as set forth on Schedule 2.21(a), neither the execution and delivery by Seller of this Agreement or the Transaction Agreements, nor the performance by Seller of the obligations hereunder or thereunder, nor the consummation of the transactions contemplated hereby or thereby, will result in a Violation of any Contract (i) to which Bison LLC is a party, (ii) by which Bison LLC or any of its assets or properties are bound or affected, or (iii) pursuant to which Bison LLC is entitled to any rights or benefits, except for such Violations which would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 2.21(b), and except for the HSR Approval, no consent, approval, authorization, exemption or waiver of or permit from, or declaration, filing or registration with, any Governmental Authority, or any other Person is required to be made or obtained by Bison LLC in connection with the execution, delivery and performance by Seller of this Agreement or the Transaction Agreements or the consummation of the transactions contemplated hereby or thereby, except where the failure to obtain such consent, approval,

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authorization, permit or declaration or to make such filing or registration would not reasonably be expected to have a Material Adverse Effect.

Section 2.22. Intercompany Matters.

Except for the Transaction Documents or as set forth in Schedule 2.22, there are no intercompany contracts or other arrangements between Bison LLC, on the one hand, and Seller or its other Affiliates, on the other hand, that (a) cannot be terminated by Bison LLC upon notice of thirty (30) days or less and (b) would subject Bison LLC to any obligations or liabilities, or otherwise bind Bison LLC subsequent to the Closing.

**ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to Seller as follows:

Section 3.01. Organization and Qualification of Buyer.

Buyer is a limited partnership duly organized, validly existing and in good standing under the laws of Delaware. Buyer has all requisite power and authority to own and operate its business as presently conducted. Buyer is duly qualified as a foreign limited partnership and is in good standing in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except for such failures to be so qualified as would not reasonably be expected to have a material adverse effect on Buyer.

Section 3.02. Authorization; Validity and Effect of Transaction Agreements.

Buyer has the requisite power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Agreements and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the other Transaction Agreements by Buyer and the performance by it of its obligations hereunder and thereunder and the consummation of all of the transactions contemplated hereby and thereby have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will, at or prior to the Closing, be) duly authorized by Buyer's general partner and by all other necessary corporate and limited partnership action on the part of Buyer and its general partner, and no other proceedings are (or will be) necessary for Buyer to authorize this Agreement or the other Transaction Agreements and the transactions contemplated hereby and thereby. This Agreement and the other Transaction Agreements have been (or, with respect to those Transaction Agreements to be delivered at the Closing, will, at or prior to the Closing, be) duly and validly executed and delivered by Buyer and constitute (or will constitute) legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

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Section 3.03. No Conflict; Required Filings and Consents Applicable to Buyer.

(a) Neither the execution and delivery by Buyer of this Agreement or the other Transaction Agreements, nor the performance by Buyer of its obligations hereunder or thereunder, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in the breach of, any provision of its certificate of limited partnership or limited partnership agreement or any other governing or organizational document of Buyer, or the certificate of incorporation or bylaws of its general partner; (ii) violate any Applicable Law; or (iii) conflict with or result in any Violation of any Contract (A) to which Buyer is a party, (B) by which Buyer or any of its assets or properties is bound or affected or (C) pursuant to which Buyer is entitled to any rights or benefits, except for such Violations which would not reasonably be expected to have a material adverse effect on Buyer.

(b) Except for the HSR Approval, no consent, approval, authorization, exemption or waiver of or permit from, or declaration, filing or registration with, any Governmental Authority or any other Person is required to be made or obtained by Buyer in connection with the execution, delivery and performance of this Agreement or the other Transaction Agreements or the consummation of the transactions contemplated hereby or thereby, except where the failure to obtain such consent, approval, authorization, permit or declaration or to make such filing or registration would not reasonably be expected to have a material adverse effect on Buyer.

Section 3.04. No Brokers.

Buyer has no liability to pay any compensation to any broker, finder or agent with respect to the transactions contemplated hereby based upon arrangements made by or on behalf of Buyer for which Seller or Bison LLC could be liable.

Section 3.05. Legal Proceedings Relating to Buyer.

There are no actions or proceedings pending or, to Buyer's knowledge, threatened against Buyer before any court or Governmental Authority acting in an adjudicative capacity, which, if adversely determined, would prohibit or restrain the execution, delivery or performance of this Agreement or the other Transaction Agreements or any of the transactions contemplated hereby or thereby. Buyer is not subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court or Governmental Authority which would prohibit or restrain the execution, delivery or performance of this Agreement, the other Transaction Agreements or any of the transactions contemplated hereby or thereby.

Section 3.06. Acquisition for Investment.

Buyer has such knowledge and experience in financial and business matters that Buyer is capable of evaluating the merits and risks of the investment contemplated by this Agreement and making an informed investment decision with respect thereto. Buyer is acquiring the Bison Interest for Buyer's own account, for investment only and not with a view to, or any present intention of, effecting a distribution of the Bison Interest in violation of the Securities Act. Buyer acknowledges that it currently owns 25% of the membership interests in Bison LLC, and that the Bison Interest has not been registered under the Securities Act or the securities laws of

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any state or other jurisdiction and cannot be disposed of except in accordance with the Securities Act and any applicable state laws. Buyer is an accredited investor (within the meaning of Regulation D promulgated under the Securities Act).

Section 3.07. No Other Representations; Waiver of Implied Warranties.

Except as provided in Article II of this Agreement, Seller has not made and does not make any other representations or warranties as to the Bison Interest, Bison LLC, the Business or any matter or thing affecting or relating to Bison LLC or its business, operations, assets, properties, liabilities, financial condition, results of operation or other affairs. Buyer hereby waives, to the extent permitted by law, any implied warranty applicable to the transactions contemplated hereby (including any implied warranty of merchantability or fitness for a particular purpose). Buyer acknowledges that it has had the opportunity to conduct its own independent investigation, analysis and evaluation of the Bison Interest, Bison LLC and the Business.

#### ARTICLE IV COVENANTS OF THE PARTIES

Section 4.01. Expenses.

Except as otherwise provided in this Agreement, Buyer and Seller shall be solely responsible for their respective expenses and costs incurred in connection with the execution and performance of this Agreement, the other Transaction Agreements and the transactions contemplated hereby and thereby.

Section 4.02. Access to Information by Buyer.

Seller shall grant Buyer reasonable access during normal business hours to all books and records concerning Bison LLC which Seller has in its possession or control, as Buyer deems reasonably necessary or advisable in connection with the consummation of the transactions contemplated hereby; provided that such access shall not materially interfere with normal operations of Seller, Bison LLC or any of their respective Affiliates.

Section 4.03. Conduct of the Business Pending the Closing Date.

(a) Except as required or permitted by this Agreement, or otherwise approved in writing by Buyer (which approval shall not be unreasonably withheld, conditioned or delayed), during the period commencing on the date hereof and ending on the Closing Date, Seller will, and will cause Bison LLC to:

(i) operate and maintain the Business in all material respects in the usual, regular and ordinary manner consistent with past practices, and to the extent consistent with such operation and maintenance, preserve the present business organization of the Business;

(ii) maintain its books, accounts and records relating to the Business in the usual, regular and ordinary manner, on a basis consistent with past practice,

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comply in all Material respects with all laws, rules or regulations of any Governmental Authority and contractual obligations applicable to the Business or to the conduct of the Business and perform all of its Material obligations relating to the Business;

(iii) not waive any Material claims or rights relating to the Business;

(iv) after obtaining Knowledge thereof, give notice to Buyer of any claim or litigation (threatened or instituted) or any other event or occurrence which would reasonably be expected to have a Material Adverse Effect, or which would reasonably be expected to cause Seller to breach any representation, warranty or covenant of Seller contained in this Agreement;

(v) not file an election to have Bison LLC classified as an association taxable as a corporation for U.S. federal, state or local income tax purposes; and

(vi) not agree, whether in writing or otherwise, to take any action which is inconsistent with this Section 4.03(a).

(b) Notwithstanding anything to the contrary in this Section 4.03, prior to the Closing Date, Buyer, on the one hand, and Seller, on the other hand, will act independently of each other in making decisions as to their respective businesses, other than with respect to their current interests in the Business.

Section 4.04. Disputes.

In the event of a Dispute, upon the written request (a "Request") of any Party to this Agreement, the matter shall immediately be referred to senior officers of each Party designated by such Party for resolution. The designated senior officers shall meet immediately and attempt in good faith to negotiate a resolution of the Dispute. If the Parties are unable to resolve the Dispute within fifteen (15) Business Days after receipt by a Party of a Request, then either Party may seek any legal avenue available under this Agreement to resolve the Dispute.

Section 4.05. Commercially Reasonable Efforts.

Each Party shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement and the other Transaction Agreements as soon as reasonably practicable, including such actions or things as any Party hereto may reasonably request in order to cause any of the conditions to any other Party's obligation to consummate such transactions specified in Article V to be fully satisfied, and as promptly as is reasonably practicable cooperate with and furnish information to each other in connection with any requirements imposed upon any of them with respect thereto.

Section 4.06. Regulatory Approvals

As promptly as practicable, the Seller and Buyer shall make any notification required with respect to the transactions contemplated under this Agreement pursuant to the HSR Act,

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which notification shall specifically request early termination of the waiting period prescribed by the HSR Act. Further, as promptly as practicable, the Seller and Buyer shall make all other filings and notifications with all Governmental Authorities that may be or may become reasonably necessary, proper or advisable under this Agreement and Applicable Laws to consummate and make effective the transactions contemplated under this Agreement. Buyer and Seller shall equally share the filing fees and associated costs, including legal fees in connection with the HSR Approval.

Section 4.07. Schedules.

(a) Any information disclosed by any Party hereto pursuant to any Schedule hereto shall be deemed to be disclosed to the other Party for all purposes of this Agreement and the Transaction Agreements. Neither the specification of any dollar amount or any item or matter in any provision of this Agreement or any Transaction Agreement nor the inclusion of any specific item or matter in any Schedule hereto or thereto is intended to imply that such amount, or higher or lower amounts, or the item or matter so specified or included, or other items or matters, are or are not Material, and no Party shall use the fact of the specification of any such amount or the specification or inclusion of any such item or matter in any dispute or controversy between the Parties as to whether any item or matter is or is not Material for purposes of this Agreement or any Transaction Agreement. Neither the specification of any item or matter in any provision of the Agreement or any Transaction Agreement nor the inclusion of any specific item or matter in any Schedule hereto or thereto is intended to imply that such item or matter, or other items or matters, are or are not in the ordinary course of business, and no Party shall use the fact of the specification or the inclusion of any such item or matter in any dispute or controversy between the Parties as to whether any item or matter is or is not in the ordinary course of business for purposes of this Agreement or any Transaction Agreement.

(b) Each Party shall from time to time prior to or at the Closing, supplement or amend any Schedule hereto to correct any matter which would constitute a breach of any representation, warranty, covenant or obligation contained herein. No such supplement or amendment shall be deemed to cure any breach for purposes of Section 5.02(a) or Section 5.03(a) (as applicable). If, however, the Closing occurs, any such supplement and amendment relating to matters arising after the date hereof will be effective to cure and correct for all purposes any inaccuracy in or breach of any representation, warranty, covenant or obligation which would have existed if such Party had not made such supplement or amendment, and all references to any Schedule hereto which is supplemented or amended as provided in this Section 4.06 shall for all purposes after the Closing be deemed to be a reference to such Schedule as so supplemented or amended.

**ARTICLE V**  
**CONDITIONS PRECEDENT**

Section 5.01. Conditions to Obligation of Each Party to Close.

The respective obligations of each Party to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver at or prior to the Closing Date of all of the following conditions:

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(a) No Orders. No statute, rule, regulation, executive order, decree, ruling, permanent injunction or other permanent order shall have become effective (and final and nonappealable) permanently restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements.

(b) Regulatory Approvals. The waiting periods (and any extension thereof) applicable to the consummation of the transactions contemplated herein under the HSR Act shall have expired or shall have been terminated.

(c) Closing of GTN. The closing of the transactions contemplated under the GTN PSA shall occur contemporaneously with the Closing.

Section 5.02. Conditions to Seller's Obligation to Close.

Seller's obligation to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions:

(a) Representations and Warranties; Covenants. The representations and warranties of Buyer contained in Article III shall be true and correct in all material respects (except where such representations and warranties are already modified by materiality, in which case, such representations and warranties shall be true and correct in all respects) on and as of the date of execution of this Agreement and on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made on, as of and with reference to such time, and Buyer shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by Buyer at or prior to the Closing Date. Buyer shall have delivered a certificate to Seller at Closing attesting to these matters.

Section 5.03. Conditions to Buyer's Obligation to Close.

Buyer's obligation to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions:

(a) Representations and Warranties; Covenants. The representations and warranties of Seller contained in Article II shall be true and correct in all material respects (except where such representations and warranties are already modified by materiality, in which case, such representations and warranties shall be true and correct in all respects) on and as of the date of execution of this Agreement and on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made by Seller on, as of and with reference to such time, and Seller shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by Seller at or prior to the Closing Date. Seller shall have delivered a certificate to Buyer at Closing attesting to these matters.

(b) No Material Adverse Effect. No Material Adverse Effect shall have occurred since the date hereof.

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(c) Consents. Buyer shall have received evidence satisfactory to the Buyer acting reasonably of the receipt of the consents described on Schedule 2.03.

**ARTICLE VI  
SURVIVAL; INDEMNIFICATION**

Section 6.01. Survival.

The representations, warranties, covenants, agreements and indemnification obligations of the Parties contained in this Agreement shall survive the Closing until eighteen (18) months from the Closing Date and shall thereafter terminate and expire on the first Business Day following the date that is eighteen (18) months from the Closing Date; provided, however, that: (a) the representations and warranties of Seller contained in Section 2.12 (Taxes) (and the indemnification obligations of Seller with respect thereto, as set out in Section 7.04) shall survive until the expiration of the applicable statute of limitations; and (b) the representations and warranties of the Parties set forth in Section 2.02 (Authorization; Validity and Effect of Transaction Agreements), Section 2.04 (Ownership), Section 2.05 (No Brokers-Seller), Section 3.02 (Authorization; Validity and Effect of Transaction Agreements) and Section 3.04 (No Brokers-Buyer), (collectively, the "Identified Representations") (and the indemnification obligations of the Parties with respect thereto) shall survive indefinitely. Notwithstanding anything to the contrary in the preceding sentence, (i) any claim for indemnification which shall have been asserted pursuant to Section 6.04 or Section 7.04 prior to the expiration of the survival period applicable to such claim shall survive until the final resolution of such claim in accordance with the provisions of this Article VI; and (ii) in the event that (A) a Party provides written notice to the other Party that the first Party may seek indemnification under this Article VI or Article VII for a potential Loss and Expense prior to the expiration period applicable to the potential claim described in such notice, (B) such written notice describes in reasonable detail the specific factual basis for such potential Loss and Expense and (C) such first Party asserts an actual claim for indemnification pursuant to Section 6.04 or Section 7.04 within sixty (60) days of such notice, then the potential indemnification claim described in such notice shall survive until the final resolution of such claim in accordance with the provisions of this Article VI.

Section 6.02. Indemnification of Buyer.

(a) From and after the Closing Date, but subject to the limitations set forth in this Article VI, Seller shall indemnify and hold harmless Buyer, TC PipeLines, LP and their respective officers, directors, employees, agents and representatives (the "Buyer Indemnified Parties") from and against any damage, loss, claim, obligation, liability, cost (including reasonable attorneys' fees and expenses), expense or deficiency (collectively, "Loss and Expense") suffered or incurred by any of the Buyer Indemnified Parties in connection with the transactions contemplated in this Agreement by reason of,

arising out of, or resulting from any breach of any representation, warranty, covenant or agreement of Seller contained in this Agreement, the other Transaction Agreements or any certificate or document required to be delivered by Seller to Buyer pursuant to this Agreement or any other Transaction Agreement (other than breaches of representations, warranties and covenants in Section 2.12 or Article VII, the indemnification obligations for which are set forth in Article VII).

(b) Subject to the terms and conditions of this Agreement, any Loss and Expense suffered by the Buyer Indemnified Parties for which the Buyer Indemnified Parties are to be indemnified by Seller pursuant to this Article VI or Section 7.04 shall be paid by Seller to the Buyer Indemnified Parties in U.S. Dollars.

Section 6.03. Indemnification of Seller.

(a) From and after the Closing, but subject to the limitations set forth in this Article VI, Buyer shall indemnify and hold harmless Seller and its officers, directors, employees, agents and representatives (the “Seller Indemnified Parties”) from and against any Loss and Expense suffered or incurred by reason of, arising out of or resulting from any breach of any representation, warranty, covenant or agreement of Buyer contained in this Agreement or any certificate or document required to be delivered by Buyer to Seller pursuant to this Agreement.

(b) Subject to the terms and conditions of this Agreement, any Loss and Expense suffered by the Seller Indemnified Parties for which the Seller Indemnified Parties are to be indemnified by Buyer pursuant to this Section 6.03 shall be paid by Buyer to the Seller Indemnified Parties in U.S. Dollars.

Section 6.04. Indemnification Procedures.

(a) Terms. As used herein, the term “Indemnified Party” shall mean the Buyer Indemnified Parties or Seller Indemnified Parties, as applicable, the term “Notifying Party” shall mean the Party entitled to indemnification hereunder, and the “Indemnifying Party” shall refer to the Party obligated to indemnify such Notifying Party’s Indemnified Parties.

(b) Claims. An Indemnified Party that seeks indemnification under this Article VI for a Loss and Expense that does not arise out of a Third Party Claim (such claim for indemnification being referred to herein as a “Claim”) shall promptly notify the Indemnifying Party of such Claim in writing. Such notice shall be a condition precedent to any liability of the Indemnifying Party for such Claim under this Article VI, and such notice shall describe the Claim in reasonable detail and shall indicate the amount (estimated if necessary) of the Loss and Expense that has been or may be sustained by the Indemnified Party.

(c) Third Party Claims. In the event that any of the Indemnified Parties is made or threatened to be made a defendant in or party to any action or proceeding, judicial or administrative, instituted by any third party, the liabilities for which, or the costs or expenses of which, are or would be a Loss and Expense for which the Indemnified Party is entitled to indemnification hereunder (any such third party action or proceeding being referred to herein as a “Third Party Claim”), the Notifying Party shall give the Indemnifying Party notice in writing, within ten (10) calendar days after learning of such Third Party Claim. The failure to timely give such notice shall not affect any Indemnified Party’s ability to seek reimbursement except to the extent such failure adversely affects the Indemnifying Party’s ability to defend successfully a Third Party Claim or such notice is given after the expiration of the applicable survival period set forth in Section 6.01. The Indemnifying Party shall be entitled to contest and defend such Third Party Claim; provided, that the Indemnifying Party diligently contests and defends such Third Party Claim. Notice of the intention to contest and defend shall be given by the Indemnifying

Party to the Notifying Party within ten (10) Business Days after the Notifying Party’s notice of such Third Party Claim (but in all events as soon as possible prior to the date an answer or other defense to such Third Party Claim is due to be filed). Such contest and defense shall be conducted by competent counsel employed by the Indemnifying Party and reasonably acceptable to the Notifying Party. The Notifying Party shall be entitled at any time, at its own cost and expense (which expense shall not constitute a Loss and Expense) to participate in such contest and defense and to be represented by attorneys of its or their own choosing. If the Notifying Party elects to participate in such defense, the Notifying Party shall cooperate with the Indemnifying Party in the conduct of such defense. Neither the Notifying Party nor the Indemnifying Party may concede, settle or compromise any Third Party Claim without the consent of the other Party, which consent shall not be unreasonably withheld or delayed. Subject to the preceding sentence, in the event the Indemnifying Party fails to contest and defend a Third Party Claim, the Notifying Party shall be entitled to contest and defend such Third Party Claim in such manner and on such terms as the Notifying Party may deem appropriate, and the Indemnifying Party shall be liable for the Loss and Expense of the Notifying Party in accordance with the provisions of this Article VI.

Section 6.05. Limitations.

(a) Excluded Losses and Basket. Notwithstanding anything herein to the contrary, Seller shall have no obligation or liability to indemnify a Buyer Indemnified Party under this Article VI: (i) with respect to any claim or series of related claims, unless in the reasonable estimate of the Notifying Party, the amount of indemnifiable Loss and Expense in respect of such claims is greater than or equal to \$100,000.00 (a “Qualifying Claim”); and (ii) unless and until the aggregate indemnifiable Loss and Expense suffered by the Buyer Indemnified Parties arising out of Qualifying Claims exceeds one percent (1%) of the Purchase Price, in which event only the Losses and Expenses in excess of such amount shall be paid in accordance with the terms of this Article VI. The foregoing limitations shall not apply to any Loss and Expense resulting from or arising out of (A) a breach of an Identified Representation or (B) Taxes which are covered by Article VII.

(b) Multiple Indemnification. Notwithstanding anything to the contrary herein, to the extent that an Indemnified Party has multiple rights of indemnification pursuant to this Article VI or Article VII, such Indemnified Party may only, consistent with the limitations set forth herein, recover such Loss and Expense one time.

(c) Maximum Indemnification Liability of Seller. Notwithstanding anything herein to the contrary, the maximum aggregate liability of Seller to the Buyer Indemnified Parties pursuant to Section 6.02 shall be an amount equal to fifteen percent (15%) of the Purchase Price; provided,

however, that the foregoing limitation shall not apply to (i) any Loss and Expense resulting from or arising out of a breach of a Seller's Identified Representation, in which case the maximum aggregate liability of Seller to the Buyer Indemnified Parties pursuant to Section 6.02 shall in no event exceed an amount equal to the Purchase Price or (ii) any Loss and Expense resulting from or arising out of or resulting from Taxes, in which case the maximum aggregate liability of Seller to the Buyer Indemnified Parties pursuant to Section 6.02 shall not be limited.

(d) Adjustment for Tax Benefit and Insurance Coverage. The Parties shall make all appropriate adjustments for tax benefits and insurance coverage in determining the amount of any Loss and Expense for purposes of this Article VI, the intent being that Losses and Expenses recoverable by an Indemnified Party from an Indemnifying Party shall be net of any tax benefits and insurance proceeds available to or recovered by the Indemnified Party, taking into account any tax costs (or reduction in tax benefits) resulting from the indemnity payments and insurance proceeds.

Section 6.06. Exclusive Remedy.

Except for any remedies set forth in Article VIII of this Agreement, the indemnification rights provided to the Parties pursuant to this Article VI, as limited by and subject to the provisions of this Article VI, shall be the Parties' sole and exclusive remedy with respect to this Agreement and the other Transaction Agreements, including with respect to any breach of any representation or warranty by, or covenant or obligation of, the other Party under this Agreement and the other Transaction Agreements, other than with respect to: (i) Tax indemnification claims under Article VII; (ii) a breach of the covenant contained in Section 9.05; and (iii) any action or inaction by a Party that constitutes fraud.

Section 6.07. Exclusion.

Notwithstanding anything to the contrary in this Article VI, Seller shall not be obligated under this Article VI to indemnify any Buyer Indemnified Party for any Loss and Expense that directly arises out of or results directly from any event, occurrence or state of facts disclosed in the Schedules to this Agreement.

## ARTICLE VII TAX MATTERS

Section 7.01. Tax Returns For Periods After the Original PSA Closing Date Through the Closing Date.

(a) Buyer shall not file or cause to be filed an amended Tax Return for Bison LLC for any taxable period or portion of a taxable period after the Original PSA Closing Date through the Closing Date, without the consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 7.02. Transfer Taxes.

The Parties acknowledge and agree that neither Party has identified any Transfer Taxes that would result from the transactions contemplated by this Agreement. However, if any Transfer Taxes are owed by either Party on account of the transactions contemplated by this Agreement, they shall be borne equally by Buyer and Seller.

Section 7.03. Controversies for Periods Prior to the Closing Date.

(a) Notwithstanding anything to the contrary in the Bison A&R LLC Agreement, Seller or the Seller's representative, at its sole expense, shall have the authority to represent the interests of Bison LLC with respect to any inquiries, claims, assessments, audits or similar events (each, a "Tax Matter") relating to any period prior to the Closing Date before the U.S. Internal Revenue Service, any other taxing authority, any other governmental agency or authority or any court and shall have the sole right to control the defense, compromise or other resolution of any Tax Matter, including responding to inquiries, filing Tax Returns and contesting, defending against and resolving any assessment for additional Taxes or notice of Tax deficiency or other adjustment of Taxes of, or relating to, such Tax Matter; provided, however, that neither Seller nor any of its Affiliates shall enter into any settlement of or otherwise compromise any Tax Matter that adversely affects or may adversely affect the Tax liability of Buyer (or its direct or indirect partners), Bison LLC or any Affiliate of the foregoing without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed. Seller or the Seller's representative shall keep Buyer fully and timely informed with respect to the commencement, status and nature of any Tax Matter and shall provide Buyer with a copy of all correspondence, notices and filings received or sent by Seller in connection with such proceedings. Seller shall, in good faith, allow Buyer, at its sole expense, to make comments to Seller or Seller's representative, regarding the conduct of or positions taken in any such proceeding and to participate in such proceeding.

(b) Except as otherwise provided in Section 7.03(a), from and after the Closing Date, Tax Matters will be handled in accordance with the Bison A&R LLC Agreement.

Section 7.04. Tax Indemnity for Taxes For Periods After the Original PSA Closing Date Through the Closing Date.

Notwithstanding any other provisions of this Agreement, this Article VII shall apply to indemnifications by Seller to Buyer for, and shall be the sole remedy of Buyer in respect of, the losses described in the following sentence relating to Taxes in respect of taxable periods and portions of taxable periods after the Original PSA Closing Date through the Closing Date, and such indemnifications shall not be subject to any limitations described in Section 6.05 hereof. Notwithstanding any provision to the contrary contained in this Agreement, Seller agrees to indemnify, defend and hold harmless Buyer against forty-five percent (45%) of: (i) Taxes attributable to, or resulting from the breach of any representation or warranty made pursuant to Section 2.12 of this Agreement as of the Closing Date; (ii) Income Taxes imposed on or asserted against the properties, income or operations of Bison LLC or for which Bison LLC may otherwise be liable, for all taxable periods or portions of taxable periods after the Original PSA Closing Date through the Closing Date; (iii) Taxes other than Income Taxes imposed on or asserted against the properties, income or operations of Bison LLC or for which Bison LLC may otherwise be liable, for all taxable periods or portions of taxable periods after the Original PSA Closing Date through the Effective Date; (iv) Taxes except for Transfer Taxes,

which are the responsibility of Buyer and Seller pursuant to Section 7.02, imposed on Bison LLC or for which Bison LLC may be liable, as a result of any transaction contemplated by this Agreement; (v) Income Taxes for which Bison LLC is liable as a result of any election for Bison LLC to be treated as other than a partnership for U.S. federal, state or local income tax purposes that is filed

at any time after the Original PSA Closing Date and on or prior to the Closing Date (other than any election by or at the behest of Buyer). Notwithstanding anything to the contrary in this Section 7.04, the Original PSA shall control the responsibility for Taxes for periods and portions of periods through the Original PSA Closing Date. Amounts of Taxes taken into account in determining Working Capital shall not be subject to this Section 7.04.

Section 7.05. Tax Refunds for Periods After the Original PSA Closing Date Through the Closing Date.

Buyer shall pay to Seller an amount equal to forty-five percent (45%) of any refunds of Taxes received by Bison LLC that are attributable to Taxes with respect to any taxable period or portion of a taxable period after the Original PSA Closing Date through the Closing Date. Such payments shall be made by Buyer within ten (10) Business Days after Bison LLC receives any such refund. Amounts of Taxes taken into account in determining Working Capital shall not be subject to this Section 7.05.

Section 7.06. Allocation of 2013 Taxable Income and Loss.

Notwithstanding Section 4.4 of the Bison A&R LLC Agreement, profits and losses (and items thereof) of Bison LLC for federal, state and local income tax purposes with respect to any taxable period which begins before the Closing Date and ends after the Closing Date shall be allocated between Seller and Buyer using the "closing of the books" method.

**ARTICLE VIII  
TERMINATION**

Section 8.01. Termination.

This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of Buyer and Seller;

(b) by either Buyer or Seller by written notice to the other Party if the Closing shall not have occurred before August 31, 2013; provided, that the right to terminate this Agreement pursuant to this Section 8.01(b) shall not be available to a Party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date; or

(c) by either Buyer or Seller by written notice to the other Party if there shall have been a material breach or default of any of the representations, warranties, covenants or agreements of such other Party hereunder that reasonably cannot be or has not been cured within thirty (30) calendar days after delivery of written notification thereof by the terminating Party and which material breach or default would result in a failure to satisfy the conditions to Closing set forth in Section 5.02 or Section 5.03, as the case may be.

Section 8.02. Effect of Termination.

If this Agreement is terminated in accordance with this Article VIII, all further obligations of the Parties hereunder shall terminate. In the event of a termination contemplated hereby by any Party pursuant to this Article VIII, the transactions contemplated hereby shall be abandoned without further action by any Party hereto, and there shall be no obligation of or liability under this Agreement to any Party hereto, or their respective shareholders, directors, officers, employees, representatives or agents, except that this Section 8.02 and Article IX shall survive termination of this Agreement.

**ARTICLE IX  
MISCELLANEOUS**

Section 9.01. Modification.

This Agreement may be amended or modified only by a written instrument executed by Buyer and Seller.

Section 9.02. Notices.

All notices which are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be deemed given: (i) the next Business Day after being sent by Federal Express or any other recognized overnight courier service providing delivery confirmation; (ii) three (3) Business Days after mailing by certified or registered mail, with postage prepaid and with return receipt requested; or (iii) when a confirmation is received after being sent by legible facsimile transmission, addressed as follows:

If to Sellers to: TC Continental Pipeline Holdings Inc.  
717 Texas Street  
Suite 2400  
Houston, Texas  
77002-2761  
Attention: Corporate Secretary  
Fax: (832) 320-5201

with a copy (which shall not constitute notice) to:

TransCanada PipeLines Limited  
450 — 1st Street S.W.  
Calgary, Alberta  
Canada  
T2P 5H1  
Attention: General Counsel  
Fax: (403) 920-2411

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If to Buyer to: TC PipeLines Intermediate Limited Partnership  
c/o TC PipeLines GP, Inc.  
450 — 1<sup>st</sup> Street, S.W.  
Calgary, Alberta  
Canada  
T2P 5H1  
Attention: Secretary  
Fax: (403) 920-2460

with a copy (which shall not constitute notice) to:

Alan Talkington, Esq.  
Orrick, Herrington & Sutcliffe LLP  
405 Howard Street  
San Francisco, CA 94105

or to such other address or addresses as any Party shall have designated by notice in writing to the other Party in accordance with this [Section 9.02](#).

Section 9.03. [Entire Agreement](#).

The Transaction Agreements and all the other documents executed and delivered by Buyer and Seller pursuant hereto (or as contemplated hereby), contain the entire understanding of the Parties with respect to the subject matter of this Agreement, and there are no representations, warranties, covenants or agreements other than those expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the subject matter of this Agreement.

Section 9.04. [Successors and Assigns](#).

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 9.05. [Press Releases](#).

The initial press release or releases to be issued in connection with the execution of this Agreement shall be mutually agreed upon by the Parties prior to the issuance thereof. Prior to the fifth (5<sup>th</sup>) Business Day prior to the Closing, Buyer and Seller shall consult with each other before they or any of their Affiliates issue any other press release or otherwise make any other public statement with respect to this Agreement or the transactions contemplated hereby. Following any termination of this Agreement, Buyer and Seller shall consult with each other before they or any of their Affiliates issue any other press release or otherwise make any other public statement with respect to such termination. Buyer and Seller and their Affiliates shall not issue any other press release or make any such other public statement prior to any consultation (but no approval thereof shall be required), except as maybe required by Applicable Law or stock exchange rule.

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Section 9.06. [Assignment](#).

This Agreement, and any right or obligation hereunder may be assigned or delegated (in whole or in part) only in accordance with this [Section 9.06](#). Upon the prior, written consent of the other Party hereto, a Party may assign this Agreement or a right hereunder, or delegate an obligation hereunder, to another Person.

Section 9.07. [Severability](#).

The terms of this Agreement are fully severable, and the decision or judgment of any court of competent jurisdiction rendering void or unenforceable any one or more of such terms shall not render void or unenforceable any of the other terms hereof.

Section 9.08. [Captions; Article and Section References](#).

The caption at the heading of each Article and Section of this Agreement is for convenience of reference only and is not to be deemed a part of the Agreement itself and will not affect the meaning or interpretation of this Agreement. Article and section references are to the articles and sections of this Agreement unless otherwise indicated.

Section 9.09. [Choice of Law](#).



This Agreement shall be construed and enforced in accordance with the laws of the State of New York, without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

Section 9.10. Counterparts.

This Agreement may be executed and delivered in one or more counterparts, including facsimile counterparts with originals to follow, each of which shall be deemed to be part of one and the same original document.

Section 9.11. Waiver.

Any of the terms and conditions of this Agreement may be waived in writing at any time on or prior to the Closing Date by the Party entitled to the benefits thereof. No waiver by any Party of any breach of this Agreement shall be deemed a waiver of any subsequent breach of the same or any other provision.

Section 9.12. Construction.

The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. For the purposes hereof: (i) words in the singular shall be held to include the

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plural and vice versa and words of one gender shall be held to include the other gender as the context requires; (ii) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the appendices and exhibits hereto) and not to any particular provision of this Agreement, and Article, Section, paragraph, appendix and exhibit references are to the Articles, Sections, paragraphs, appendices and exhibits to this Agreement unless otherwise specified; (iii) the word “including” and words of similar import when used in this Agreement shall mean “including without limitation” unless the context otherwise requires or unless otherwise specified; (iv) the phrase “ordinary course of business” or “normal course” or any similar phrase shall mean “ordinary course of business consistent with past practice” unless the context requires otherwise or unless otherwise specified; (v) all references to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; and (vi) all monies are deemed to be in U.S. dollars unless otherwise stated.

Section 9.13. Incorporation of Exhibits, Schedules and Appendices.

Any Exhibits, Schedules, and Appendices identified in this Agreement are incorporated herein by reference and made a part hereof.

Section 9.14. No Third-Party Beneficiaries.

This Agreement shall not confer any rights or remedies upon any Person other than the Parties, the Buyer Indemnified Parties, the Seller Indemnified Parties and their respective successors and permitted assigns.

Section 9.15. No Consequential or Punitive Damages.

No Party shall be liable to any other Party or Person for any consequential, exemplary, special or punitive damages in connection with this Agreement or the other Transaction Agreements.

Section 9.16. Time of Essence.

Time is of the essence under this Agreement.

Section 9.17. Defined Terms.

For purposes of this Agreement, the terms set forth in Appendix A hereto shall have the meanings set forth therein.

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by duly authorized officers of the Parties as of the day and year first above written.

**TC CONTINENTAL PIPELINE HOLDINGS INC.**

By: /s/ Lauri Newton

Name: Lauri Newton

Title: Assistant Secretary

By: /s/ Nancy F. Priemer

Name: Nancy F. Priemer

Title: Vice-President, Financial Services

**TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP**  
by TC PipeLines GP, Inc., its General Partner

By: /s/ Steven D. Becker  
Name: Steven D. Becker  
Title: President

By: /s/ Stuart P. Kampel  
Name: Stuart P. Kampel  
Title: Vice-President and General Manager

[Signature Page to Purchase Agreement]

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**APPENDIX A**

**DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings:

“Acquisition Date” means August 28, 2008.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly controls (including all directors and officers of such Person), is controlled by, or through one or more intermediaries, under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, Buyer and Seller shall not be considered Affiliates of one another for the purposes of this Agreement.

“Agreement” has the meaning set forth in the preamble.

“Applicable Law” means, with respect to any Person, any statute, law, regulation, ordinance, rule, judgment, rule of common law, order or decree, directive, guideline, policy, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, whether in effect as of the date hereof or thereafter, and in each case as amended, applicable to such Person or its subsidiaries or their respective assets.

“Assignment and Assumption Agreement” means the agreement attached as Exhibit B hereto.

“Base Purchase Price” means Three Hundred Million U.S Dollars (USD\$ 300,000,000).

“Bison A&R LLC Agreement” has the meaning set forth in Section 1.06(d).

“Bison LLC” has the meaning set forth in the recitals.

“Bison LLC Agreement” means that certain Amended and Restated Limited Liability Company Agreement of Bison LLC dated as of May 3, 2011.

“Bison LLC Budget” means the budget of Bison LLC attached hereto as Exhibit C.

“Bison Interest” has the meaning set forth in the recitals.

“Bison Pipeline” means, collectively with all associated laterals and meter stations, a natural gas pipeline system consisting of the Bison pipeline, plus any expansions or improvements undertaken, in whole or in part, by Bison LLC or any of its Affiliates.

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“Business” means Bison LLC’s business of constructing, owning and operating the Bison Pipeline and transporting natural gas on its system pursuant to transportation contracts with shippers.

“Business Day” means any day on which banks are generally open to conduct business in New York, New York.

“Buyer” has the meaning set forth in the preamble.

“Buyer Indemnified Parties” has the meaning set forth in Section 6.02(a).

“Claim” has the meaning set forth in Section 6.04(b).

“Closing” has the meaning set forth in Section 1.04.

“Closing Date” has the meaning set forth in Section 1.04.

“Closing Payment” means the Estimated Purchase Price increased by the Interest Amount.

“Closing Statement” has the meaning set forth in Section 1.05(a).

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Contract” means any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument, employee benefit plan or practice, or other agreement, obligation or commitment or concession of any nature.

“Current Assets” means the aggregate of (i) cash, (ii) accounts receivable (iii) accounts receivable and advances receivable from affiliated companies, including advances receivable from TransCanada PipeLine USA Ltd. under its cash management agreement, (iv) plant material and operating supplies and (v) prepayments.

“Current Liabilities” means the aggregate of (i) accounts payable, (ii) payables and advances to affiliated companies, including advances payable to TransCanada PipeLine USA Ltd. under its cash management agreement (iii) accrued taxes other than Income Taxes and (iv) other current and accrued liabilities due within a year. For the avoidance of doubt, Current Liabilities shall not include accrued Income Taxes.

“Dispute” means any dispute, controversy or claim arising out or relating to this Agreement or the breach, termination or validity thereof.

“Effective Date” means 12:01 am on July 1, 2013.

“Environmental Laws” means any foreign, federal, state or local law, statute, ordinance, order, decree, rule or regulation relating to releases, discharges, emissions or disposals to air, water, land or groundwater of Hazardous Materials; to the use, handling, transport, release or disposal of polychlorinated biphenyls, asbestos or urea formaldehyde or any other Hazardous

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Material; to the treatment, storage, disposal or management of Hazardous Materials; to exposure to toxic, hazardous or other controlled, prohibited or regulated substances; to health or safety in the workplace; and to the protection of the public’s health and safety and the environment, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq., the Toxic Substances Control Act, 15 U.S.C. 2601, et seq., the Occupational, Safety and Health Act, 29 U.S.C. 651, et seq., the Clean Air Act, 42 U.S.C. 7401, et seq., the Federal Water Pollution Control Act, 33 U.S.C. 1251, et seq., the Safe Drinking Water Act, 42 U.S.C. 300f, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. 1802 et seq. and the Emergency Planning and Community Right to Know Act, 42 U.S.C. 11001 et seq., and other comparable foreign, state and local laws and all rules, regulations and guidance documents promulgated pursuant thereto or published hereunder.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time and the regulations promulgated and rulings issued hereunder.

“Estimated Purchase Price” means the Base Purchase Price, adjusted as follows: (x) if the Estimated Working Capital is in excess of the Reference Amount, the Base Purchase Price shall be increased by forty-five percent (45%) of the amount of such excess in order to determine the Estimated Purchase Price and (y) if the Estimated Working Capital is less than the Reference Amount, the Base Purchase Price shall be decreased by forty-five percent (45%) of the amount of the deficiency.

“Estimated Working Capital” means Seller’s good faith estimate of the Working Capital as of the Effective Date.

“Financial Statements” has the meaning set forth in Section 2.10.

“GAAP” means U.S. generally accepted accounting principles. All references to GAAP shall mean GAAP as in effect on the date hereof, unless otherwise specified.

“Governmental Authority” means any federal, state, county, municipal, regional or other governmental authority, agency, board, body, instrumentality, commission or political subdivision of any of the foregoing, or any court or arbitrator.

“GTN PSA” means the purchase and sale agreement, dated as of the date hereof, between TransCanada American Investments Ltd. and Buyer for a 45% membership interest in Gas Transmission Northwest LLC.

“Hazardous Material” means any substance, waste, pollutant, contaminant or material subject to regulation under any Environmental Law.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and the rules and regulations promulgated thereunder.

“HSR Approval” has the meaning set forth in Section 2.03(b).

“Identified Representation” has the meaning set forth in Section 6.01.

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“Income Tax” means federal, state, local, or foreign income or franchise Taxes or other similar Taxes measured in whole or in part by income and any interest and penalties or additions thereon.

“Indemnified Party” has the meaning set forth in Section 6.04(a).

“Indemnifying Party” has the meaning set forth in Section 6.04(a).

“Independent Accounting Firm” means an independent nationally recognized accounting firm as mutually selected by Seller and Buyer.

“Interest Amount” means interest (calculated based on the actual number of days elapsed, assuming a 360-day year) on the Estimated Purchase Price at the Prime Rate in effect on the date the Closing Payment is provided from (and including) the Effective Date to (and excluding) the Closing Date.

“Knowledge” means the actual knowledge of Eva Neufeld, Todd Johnson and Dean Ferguson.

“Lien” means any lien, pledge, charge, claim, security interest, purchase agreement, option, restriction on transfer or other recorded encumbrance of any nature whatsoever, whether consensual, statutory or otherwise.

“Loss and Expense” has the meaning set forth in Section 6.02.

“Material” means material in relation to the business or operations of Bison LLC, taken as a whole.

“Material Adverse Effect” means any circumstance, change or effect that is materially adverse to the financial condition or results of operations of Bison LLC, taken as a whole, or that impedes or delays the ability of Seller to perform its obligations under this Agreement or to consummate the transactions contemplated hereby, other than (i) any adverse circumstance, change, or effect arising from or relating to general business or economic conditions in the industries or markets in which Bison LLC operates not having a materially disproportionate affect on Bison LLC as compared to other participants in such industry or market, including (A) changes in national or regional gathering, pipeline or storage facilities or (B) rules, regulations or decisions of FERC or the courts affecting the natural gas transportation industry as a whole or the natural gas storage industry as a whole, (ii) any adverse circumstance, change or effect arising from weather conditions, including unexpected or harsh weather conditions, (iii) seasonal reductions in revenues or earnings of Bison LLC in the ordinary course of business consistent with past periods, (iv) national or international political, diplomatic or military conditions (including any engagement in hostilities, whether or not pursuant to a declaration of war, or the occurrence of any military or terrorist attack) not disproportionately affecting Bison LLC as compared to other participants in the industries or markets in which Bison LLC operates, (v) changes in GAAP, (vi) changes in Applicable Laws not disproportionately affecting Bison LLC as compared to other participants in the industries or markets in which Bison LLC operates, (vii) the failure of Seller to take any action for which Seller in good faith requests Buyer’s written consent under Section 4.03 and Buyer refuses to provide such consent, (viii) any changes in

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prices for commodities, goods, or services, or the availability or costs of hedges or other derivatives, including fluctuations in interest rates, (ix) any matter that is expressly disclosed in the Schedules as of the date of execution of this Agreement, and (x) the execution and delivery or announcement of this Agreement. The Parties agree that any determination as to whether a change, effect, event, or occurrence is a Material Adverse Effect shall be made after taking into account and considering all matters relevant to such analysis, including (y) all amounts, if any, recognized by the Person and its Affiliates, as applicable, under insurance or third-party indemnifications or similar agreements, and (z) all Tax benefits with respect to such change, effect, event, or occurrence.

“Material Agreements” has the meaning set forth in Section 2.18.

“Notifying Party” has the meaning set forth in Section 6.04(a).

“Original PSA” has the meaning set forth in the recitals.

“Overlap Period” has the meaning set forth in Section 7.01(a)(ii).

“Party” has the meaning set forth in the preamble.

“Percentage Interests” means the percentage interest of Buyer and Seller in Bison LLC, which shall be 25% and 75%, respectively, immediately prior to Closing and 70% and 30%, respectively, at and after Closing.

“Permit” means any permit, license, approval or other authorization required or granted by any Governmental Authority.

“Permitted Encumbrances” means (i) defects, imperfections or irregularities in title (including easements, rights-of-way, covenants, conditions, restrictions, and other matters affecting title to real property) that are not material in character, amount, extent with respect to the asset or assets to which they relate or, together with any other such defects, imperfections or irregularities, in the aggregate; (ii) encumbrances created by or referenced in any of the Material Agreements; (iii) encumbrances, created by Buyer, or their successors and assigns, (iv) Liens for Taxes not yet due and payable, and (v) statutory Liens (including materialmen’s, mechanic’s, repairmen’s, landlord’s and other similar Liens) arising in connection with the ordinary course of business securing payments not yet due and payable.

“Person” means a person, corporation, partnership, limited liability company, joint venture, trust or other entity or organization.

“Prime Rate” means the prime interest rate reported in The Wall Street Journal.

“Promissory Note” has the meaning set out in Section 1.05(b).

“Purchase Price” has the meaning set out in Section 1.02.

“Qualifying Claim” has the meaning set forth in Section 6.05(a).

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“Reference Amount” means negative Six Hundred Twenty Thousand Forty Nine U.S. Dollars (- USD\$ 620,049).

“Reputable Insurer” means any financially sound and responsible insurance provider rated “A-X” or better by A.M. Best Company (or if such ratings cease to be published generally for the insurance industry, meeting comparable financial standards then applicable to the insurance industry).

“Request” has the meaning set forth in Section 4.04.

“Securities Act” means the federal Securities Act of 1933, as amended.

“Seller” has the meaning set forth in preamble.

“Seller Indemnified Parties” has the meaning set forth in Section 6.03(a).

“Tax” or “Taxes” means all income, gross receipts, profits, franchise, sales, use, ad valorem, occupation, property (including in lieu-of-taxes), capital, environmental, employment, severance, excise, workers’ compensation, social security, withholding or similar taxes or other governmental fees or charges of a similar nature, however denominated, imposed by any federal, state, local, foreign or other political subdivision taxing authority, whether imposed directly on a person or resulting under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise, and including any interest and penalties (civil or criminal) on or additions to any such taxes or in respect of a failure to comply with any requirement relating to any Tax Return and any expenses incurred in connection with the determination, settlement or litigation of any tax liability.

“Tax Matter” has the meaning set forth in Section 7.03(a).

“Tax Return” means any return, report, statement, information or other document including any amendment thereto filed or to be filed or required to be filed or supplied to any federal, state, local or foreign Tax authority or any other government entity with respect to Taxes, including, where permitted or required, combined, consolidated, unitary or any similar returns for any group of entities.

“Third Party Claim” has the meaning set forth in Section 6.04(c).

“Transaction Agreements” means this Agreement and the Assignment and Assumption Agreement and any documents or certificates to be provided pursuant thereto.

“Transfer Taxes” means any and all transfer Taxes, including sales taxes, use, excise, stock, stamp, documentary, filing, recording, permit, license, authorization, and similar Taxes fees, duties, levies, customs, tariffs, imposts, assessments, obligations and charges.

“Violation” has the meaning set forth in Section 2.03(a).

“Working Capital” means (i) Current Assets, minus (ii) Current Liabilities. For the avoidance of doubt, Working Capital may be a negative number.

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“Working Capital Adjustment Statement” means the statement provided pursuant to Section 1.03(a).

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## GUARANTY

This Guaranty ("Guaranty"), dated as of May 15, 2013, is made by TransCanada PipeLine USA Ltd., a Nevada corporation ("Guarantor"), in favor of TC PipeLines Intermediate Limited Partnership, a Delaware limited partnership ("Buyer") and its successors and assigns.

### RECITALS

A. TransCanada American Investments Ltd., a Delaware corporation, ("Seller") is a wholly-owned direct subsidiary of Guarantor.

B Pursuant to a Purchase and Sale Agreement, dated as of May 15, 2013 (the "Purchase Agreement"), between Seller and Buyer, Seller has agreed to sell, and Buyer has agreed to purchase, the GTN Interest (as defined in the Purchase Agreement).

C. Guarantor is familiar with the Purchase Agreement and has determined that the guaranty provided in this Guaranty is necessary or convenient to the conduct, promotion, or attainment of the business of Guarantor, may reasonably be expected to benefit, directly or indirectly, Guarantor, and is in the best interests of Guarantor.

NOW, THEREFORE, in consideration of the premises and as a material inducement to Buyer to enter into the Purchase Agreement, Guarantor hereby agrees as follows:

### ARTICLE I DEFINITIONS AND CONSTRUCTION

1.1 Definitions. Capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Purchase Agreement. Additionally, the following terms have the meanings set forth below:

"Buyer" has the meaning set forth in the introductory paragraph of this Guaranty.

"Guaranteed Obligations" means all obligations of Seller of whatsoever nature and howsoever evidenced, due or to become due, now existing or hereafter arising, whether direct or indirect, absolute or contingent, which may arise under, out of or in connection with the Transaction Agreements and any amendment, restatement or modification thereof, up to a maximum amount equal to the Purchase Price.

"Proceeding" means any action or proceeding before any court, arbitrator or Governmental Authority acting in an adjudicative capacity.

"Purchase Agreement" has the meaning set forth in the recitals.

1.2 Construction. The principles of construction set forth in Section 9.12 of the Purchase Agreements are incorporated herein *mutatis mutandis*.

### ARTICLE II GUARANTY

2.1 Guaranty. Guarantor irrevocably and unconditionally guarantees the full, complete and timely payment and performance by Seller of the Guaranteed Obligations.

2.2 Guaranty Unconditional. This Guaranty is a guaranty of payment and performance and not of collection. There are no conditions precedent to the enforcement of this Guaranty. The obligations of Guarantor hereunder shall be continuing, absolute and unconditional and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any invalidity, illegality or unenforceability against Seller of any Transaction Agreement;

(b) any modification, amendment, restatement, waiver or rescission of, or any consent to the departure from, any of the terms of the Transaction Agreements;

(c) any exercise or non-exercise by Buyer of any right or privilege under any Transaction Agreement and any notice of such exercise or non-exercise;

(d) any extension, renewal, settlement, compromise, waiver or release in respect of any Guaranteed Obligation, by operation of law or otherwise, or any assignment of any Guaranteed Obligation by a Buyer;

(e) any change in the corporate existence, structure or ownership of Seller;

(f) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Seller or its assets or any resulting release or discharge of any Guaranteed Obligation;

(g) any requirement that Buyer exhaust any right or remedy or take any action against Seller or any other Person before seeking to enforce the obligations of Guarantor under this Guaranty;

(h) the existence of any defense, set-off or other rights (other than a defense of indefeasible payment and performance in full of the Guaranteed Obligations) that Guarantor may have at any time against Seller, Buyer or any other Person, whether in connection herewith or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(i) any other act or failure to act or delay of any kind by either Seller, Buyer or any other Person; or

(j) any other circumstance whatsoever that might, but for the provisions of this Section 2.2, constitute a legal or equitable discharge of the Guaranteed Obligations or the obligations of a Guarantor hereunder, including but not limited to all defenses of a surety (except for infeasible payment and performance in full of the Guaranteed Obligations);

provided that Guarantor may interpose and assert as defense to payment or performance hereunder any defense that Seller is or would have been entitled to arising out of the breach or nonperformance by Buyer of its obligations under the Transaction Agreements.

2.3 Termination and Reinstatement. Guarantor's obligations hereunder shall remain in full force and effect for a period of six (6) years from the date hereof. If at any time any payment with respect to the Guaranteed Obligations is rescinded or must be otherwise restored or returned as a result of any fraudulent conveyance or the insolvency, bankruptcy or reorganization of Seller or otherwise, Guarantor's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time.

2.4 Waivers. Guarantor irrevocably waives

- (a) notice of acceptance of this Guaranty and notice of any obligation or liability to which it may apply;
- (b) any diligence, promptness, presentment, demand, performance, protest, demand for payment, notice of non-payment as the same pertains to Seller, suit or the taking of other action by Buyer against, and any other notice to, either Seller, Guarantor or others;
- (c) any right to require Buyer to proceed against Seller or to exhaust any security held by Buyer or to pursue any other remedy;
- (d) any defense based upon an election of remedies by Buyer, unless the same would excuse performance by a Seller under the Transaction Agreements;
- (e) any duty of Buyer to advise Guarantor of any information known to Buyer regarding a Seller or its ability to perform under the Transaction Agreements; and
- (f) any right to require a Proceeding against Seller or any right to have Seller joined as a party to any Proceeding to enforce this Guaranty.

2.5 Subrogation. Guarantor shall be subrogated to all rights of Buyer against Seller in respect of any amounts paid by Guarantor pursuant to the provisions of this Guaranty; provided, however, that Guarantor shall not be entitled to enforce or to receive any payments arising out of or based upon such right of subrogation if any Guaranteed Obligations then due have not been satisfied. If any amount is paid to Guarantor on

account of subrogation rights under this Guaranty in violation of this Section 2.5, such amount shall be held in trust for the benefit of Buyer and shall be promptly paid to Buyer to be credited and applied to the Guaranteed Obligations, whether matured or unmatured or absolute or contingent, in accordance with the terms of the Transaction Agreements.

### **ARTICLE III** **GUARANTOR'S REPRESENTATIONS**

Guarantor represents and warrants to Buyer, as of the date hereof and as of the Closing Date, as follows:

3.1 Existence. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of formation and has all requisite power to execute and deliver this Guaranty and to perform its obligations hereunder.

3.2 Due Authorization. The execution and delivery of this Guaranty and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Guarantor. This Guaranty has been duly executed and delivered by Guarantor and constitutes its legal, valid and binding obligation, enforceable against Guarantor in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights and remedies generally and to the effect of general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity).

3.3 Consents. All consents, licenses, clearances, authorizations, and approvals of, and registrations and declarations with, any Governmental Authority necessary for the due execution, delivery and performance of this Guaranty have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any Governmental Authority is required in connection with the execution, delivery or performance of this Guaranty.

3.4 No Conflict. The execution, delivery and performance of this Guaranty by Guarantor does not, and the consummation of the transactions contemplated hereby will not,

- (i) result in a breach of the Articles of Incorporation or bylaws of Guarantor or any resolution adopted by its Board of Directors;
- (ii) result in, or constitute an event that, with the passage of time or giving of notice or both, would be, a breach, violation or default (or give rise to any right of termination, cancellation, prepayment or acceleration) under any agreement to which Guarantor is a party or by which its properties or assets may be bound that could reasonably be expected to materially adversely affect the ability of Guarantor to perform its obligations under this Guaranty; or

3.5 Litigation. There is no Proceeding pending against Guarantor or any of its subsidiaries, or to the knowledge of Guarantor threatened against Guarantor or any of its subsidiaries, in which there is a reasonable possibility of an adverse decision that could reasonably be expected to materially adversely affect the ability of Guarantor to perform its obligations under this Guaranty or which in any manner draws into question the validity of this Guaranty.

**ARTICLE IV**  
**OTHER PROVISIONS**

4.1 Notices. All notices, requests, demands, and other communications required or permitted to be given or made hereunder by Guarantor or Buyer (each a "Notice") shall be in writing and shall be deemed to have been duly given or made if (i) delivered personally, (ii) transmitted by first class registered or certified mail, postage prepaid, return receipt requested, (iii) delivered by prepaid overnight courier service, or (iv) delivered by confirmed telecopy or facsimile transmission at the following addresses (or at such other addresses as shall be specified by similar notice):

If to Buyer to: TC PipeLines Intermediate Limited Partnership  
c/o TC PipeLines GP, Inc.  
450 — 1<sup>st</sup> Street, S.W.  
Calgary, Alberta T2P 5H1  
Attention: Secretary  
Fax: (403) 920-2460

with a copy (which shall not constitute notice) to:

Alan Talkington, Esq.  
Orrick, Herrington & Sutcliffe LLP  
405 Howard Street  
San Francisco, CA 94105

If to Guarantor:

TransCanada PipeLine USA Ltd.  
717 Texas Street, 26<sup>th</sup> Floor  
Houston, TX 77002-2761  
Attention: Corporate Secretary  
Fax: (832)320-6201

with a copy to:

TransCanada Corporation  
450 — 1<sup>st</sup> Street S.W.  
Calgary, Alberta T2P 5H1  
Attention: Vice-President, Risk Management  
Fax: (403) 920-2359

Notices shall be effective (i) if delivered personally or sent by courier service, upon actual receipt by the intended recipient, (ii) if mailed, upon the earlier of five days after deposit in the mail or the date of delivery as shown by the return receipt therefor, or (iii) if sent by telecopy or facsimile transmission, when the answer back is received.

4.2 Entire Agreement. This Guaranty constitutes the entire agreement between Guarantor and Buyer with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between them with respect to the subject matter hereof. There are no restrictions, promises, representations, warranties, covenants or undertakings between Guarantor and Buyer other than those expressly set forth or referred to herein.

4.3 Binding Effect; Assignment; No Third Party Benefit. Subject to the following sentence, this Guaranty shall be binding upon Guarantor and its successors and assigns and shall inure to the benefit of Buyer and its successors and assigns. Neither this Guaranty nor any of the rights, interests, or obligations hereunder shall be assigned or delegated by a party without the prior written consent of the other party. Except as provided herein, nothing in this Guaranty is intended to or shall confer upon any Person other than the parties, and their successors and assigns, any rights, benefits, or remedies of any nature whatsoever under or by reason of this Guaranty.

4.4 Severability. If any provision of this Guaranty is held to be unenforceable, this Guaranty shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Guaranty shall remain in full force and effect.

4.5 Governing Law. This Guaranty shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to its conflicts of laws rules or principles.

4.6 Counterparts. This Guaranty may be executed by the parties in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement. Such execution may be evidenced by an exchange of facsimile communications or any other rapid transmission devise designed to produce a written record of communications transmitted.



4.7 Consent to Jurisdiction. The parties hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the federal courts of the United States of America located in The Borough of Manhattan, New York, New York, over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby, and each party irrevocably agrees that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by Applicable Law, any objection which they may now or hereafter have to the venue of any dispute arising out of or relating to this Guaranty or any of the transactions contemplated hereby brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each party agrees

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that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Applicable Law.

4.8 Amendment and Waiver. No amendment or waiver of any provision of this Guaranty, nor consent to any departure by Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Guarantor and Buyer. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

4.9 No Implied Waiver. No failure or delay in exercising any right, power or privilege or requiring the satisfaction of any condition hereunder, and no course of dealing between Guarantor and Buyer operates as a waiver or estoppel of any right, remedy or condition. No single or partial exercise of any right or remedy under this Guaranty precludes any simultaneous or subsequent exercise of any other right, power or privilege. The rights and remedies set forth in this Guaranty are not exclusive of, but are cumulative to, any rights or remedies now or subsequently existing at law, in equity or by statute.

4.10 Expenses. Guarantor shall indemnify Buyer for any and all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Buyer in the successful enforcement of any rights under this Guaranty.

**[Signatures on Following Page]**

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IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

**TRANSCANADA PIPELINE USA LTD.**

By: /s/ Lauri Newton  
Name: Lauri Newton  
Title: Assistant Secretary

By: /s/ Nancy F. Priemer  
Name: Nancy F. Priemer  
Title: Vice-President, Financial Services

[Signature Page to Guaranty]

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## GUARANTY

This Guaranty ("Guaranty"), dated as of May 15, 2013, is made by TransCanada PipeLine USA Ltd., a Nevada corporation ("Guarantor"), in favor of TC PipeLines Intermediate Limited Partnership, a Delaware limited partnership ("Buyer") and its successors and assigns.

### RECITALS

A. TC Continental Pipeline Holdings Inc., a Delaware corporation, ("Seller") is a wholly-owned direct subsidiary of Guarantor.

B Pursuant to a Purchase and Sale Agreement, dated as of May 15, 2013 (the "Purchase Agreement"), between Seller and Buyer, Seller has agreed to sell, and Buyer has agreed to purchase, the Bison Interest (as defined in the Purchase Agreement).

C. Guarantor is familiar with the Purchase Agreement and has determined that the guaranty provided in this Guaranty is necessary or convenient to the conduct, promotion, or attainment of the business of Guarantor, may reasonably be expected to benefit, directly or indirectly, Guarantor, and is in the best interests of Guarantor.

NOW, THEREFORE, in consideration of the premises and as a material inducement to Buyer to enter into the Purchase Agreement, Guarantor hereby agrees as follows:

### ARTICLE I DEFINITIONS AND CONSTRUCTION

1.1 Definitions. Capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Purchase Agreement. Additionally, the following terms have the meanings set forth below:

"Buyer" has the meaning set forth in the introductory paragraph of this Guaranty.

"Guaranteed Obligations" means all obligations of Seller of whatsoever nature and howsoever evidenced, due or to become due, now existing or hereafter arising, whether direct or indirect, absolute or contingent, which may arise under, out of or in connection with the Transaction Agreements and any amendment, restatement or modification thereof, up to a maximum amount equal to the Purchase Price.

"Proceeding" means any action or proceeding before any court, arbitrator or Governmental Authority acting in an adjudicative capacity.

"Purchase Agreement" has the meaning set forth in the recitals.

1.2 Construction. The principles of construction set forth in Section 9.12 of the Purchase Agreements are incorporated herein *mutatis mutandis*.

### ARTICLE II GUARANTY

2.1 Guaranty. Guarantor irrevocably and unconditionally guarantees the full, complete and timely payment and performance by Seller of the Guaranteed Obligations.

2.2 Guaranty Unconditional. This Guaranty is a guaranty of payment and performance and not of collection. There are no conditions precedent to the enforcement of this Guaranty. The obligations of Guarantor hereunder shall be continuing, absolute and unconditional and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

- (a) any invalidity, illegality or unenforceability against Seller of any Transaction Agreement;
- (b) any modification, amendment, restatement, waiver or rescission of, or any consent to the departure from, any of the terms of the Transaction Agreements;
- (c) any exercise or non-exercise by Buyer of any right or privilege under any Transaction Agreement and any notice of such exercise or non-exercise;
- (d) any extension, renewal, settlement, compromise, waiver or release in respect of any Guaranteed Obligation, by operation of law or otherwise, or any assignment of any Guaranteed Obligation by a Buyer;
- (e) any change in the corporate existence, structure or ownership of Seller;
- (f) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Seller or its assets or any resulting release or discharge of any Guaranteed Obligation;
- (g) any requirement that Buyer exhaust any right or remedy or take any action against Seller or any other Person before seeking to enforce the obligations of Guarantor under this Guaranty;
- (h) the existence of any defense, set-off or other rights (other than a defense of indefeasible payment and performance in full of the Guaranteed Obligations) that Guarantor may have at any time against Seller, Buyer or any other Person, whether in connection herewith or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;
- (i) any other act or failure to act or delay of any kind by either Seller, Buyer or any other Person; or

(j) any other circumstance whatsoever that might, but for the provisions of this Section 2.2, constitute a legal or equitable discharge of the Guaranteed Obligations or the obligations of a Guarantor hereunder, including but not limited to all defenses of a surety (except for indefeasible payment and performance in full of the Guaranteed Obligations);

provided that Guarantor may interpose and assert as defense to payment or performance hereunder any defense that Seller is or would have been entitled to arising out of the breach or nonperformance by Buyer of its obligations under the Transaction Agreements.

2.3 Termination and Reinstatement. Guarantor's obligations hereunder shall remain in full force and effect for a period of six (6) years from the date hereof. If at any time any payment with respect to the Guaranteed Obligations is rescinded or must be otherwise restored or returned as a result of any fraudulent conveyance or the insolvency, bankruptcy or reorganization of Seller or otherwise, Guarantor's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time.

2.4 Waivers. Guarantor irrevocably waives

- (a) notice of acceptance of this Guaranty and notice of any obligation or liability to which it may apply;
- (b) any diligence, promptness, presentment, demand, performance, protest, demand for payment, notice of non-payment as the same pertains to Seller, suit or the taking of other action by Buyer against, and any other notice to, either Seller, Guarantor or others;
- (c) any right to require Buyer to proceed against Seller or to exhaust any security held by Buyer or to pursue any other remedy;
- (d) any defense based upon an election of remedies by Buyer, unless the same would excuse performance by a Seller under the Transaction Agreements;
- (e) any duty of Buyer to advise Guarantor of any information known to Buyer regarding a Seller or its ability to perform under the Transaction Agreements; and
- (f) any right to require a Proceeding against Seller or any right to have Seller joined as a party to any Proceeding to enforce this Guaranty.

2.5 Subrogation. Guarantor shall be subrogated to all rights of Buyer against Seller in respect of any amounts paid by Guarantor pursuant to the provisions of this Guaranty; provided, however, that Guarantor shall not be entitled to enforce or to receive any payments arising out of or based upon such right of subrogation if any Guaranteed Obligations then due have not been satisfied. If any amount is paid to Guarantor on

account of subrogation rights under this Guaranty in violation of this Section 2.5, such amount shall be held in trust for the benefit of Buyer and shall be promptly paid to Buyer to be credited and applied to the Guaranteed Obligations, whether matured or unmatured or absolute or contingent, in accordance with the terms of the Transaction Agreements.

### **ARTICLE III** **GUARANTOR'S REPRESENTATIONS**

Guarantor represents and warrants to Buyer, as of the date hereof and as of the Closing Date, as follows:

3.1 Existence. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of formation and has all requisite power to execute and deliver this Guaranty and to perform its obligations hereunder.

3.2 Due Authorization. The execution and delivery of this Guaranty and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Guarantor. This Guaranty has been duly executed and delivered by Guarantor and constitutes its legal, valid and binding obligation, enforceable against Guarantor in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights and remedies generally and to the effect of general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity).

3.3 Consents. All consents, licenses, clearances, authorizations, and approvals of, and registrations and declarations with, any Governmental Authority necessary for the due execution, delivery and performance of this Guaranty have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any Governmental Authority is required in connection with the execution, delivery or performance of this Guaranty.

3.4 No Conflict. The execution, delivery and performance of this Guaranty by Guarantor does not, and the consummation of the transactions contemplated hereby will not,

- (i) result in a breach of the Articles of Incorporation or bylaws of Guarantor or any resolution adopted by its Board of Directors;
- (ii) result in, or constitute an event that, with the passage of time or giving of notice or both, would be, a breach, violation or default (or give rise to any right of termination, cancellation, prepayment or acceleration) under any agreement to which Guarantor is a party or by which its properties or assets may be bound that could reasonably be expected to materially adversely affect the ability of Guarantor to perform its obligations under this Guaranty; or

3.5 Litigation. There is no Proceeding pending against Guarantor or any of its subsidiaries, or to the knowledge of Guarantor threatened against Guarantor or any of its subsidiaries, in which there is a reasonable possibility of an adverse decision that could reasonably be expected to materially adversely affect the ability of Guarantor to perform its obligations under this Guaranty or which in any manner draws into question the validity of this Guaranty.

**ARTICLE IV**  
**OTHER PROVISIONS**

4.1 Notices. All notices, requests, demands, and other communications required or permitted to be given or made hereunder by Guarantor or Buyer (each a "Notice") shall be in writing and shall be deemed to have been duly given or made if (i) delivered personally, (ii) transmitted by first class registered or certified mail, postage prepaid, return receipt requested, (iii) delivered by prepaid overnight courier service, or (iv) delivered by confirmed telecopy or facsimile transmission at the following addresses (or at such other addresses as shall be specified by similar notice):

If to Buyer to: TC PipeLines Intermediate Limited Partnership  
c/o TC PipeLines GP, Inc.  
450 — 1<sup>st</sup> Street, S.W.  
Calgary, Alberta T2P 5H1  
Attention: Secretary  
Fax: (403) 920-2460

with a copy (which shall not constitute notice) to:

Alan Talkington, Esq.  
Orrick, Herrington & Sutcliffe LLP  
405 Howard Street  
San Francisco, CA 94105

If to Guarantor:

TransCanada PipeLine USA Ltd.  
717 Texas Street, 26<sup>th</sup> Floor  
Houston, TX 77002-2761  
Attention: Corporate Secretary  
Fax: (832)320-6201

with a copy to:

TransCanada Corporation  
450 — 1<sup>st</sup> Street S.W.  
Calgary, Alberta T2P 5H1  
Attention: Vice-President, Risk Management  
Fax: (403) 920-2359

Notices shall be effective (i) if delivered personally or sent by courier service, upon actual receipt by the intended recipient, (ii) if mailed, upon the earlier of five days after deposit in the mail or the date of delivery as shown by the return receipt therefor, or (iii) if sent by telecopy or facsimile transmission, when the answer back is received.

4.2 Entire Agreement. This Guaranty constitutes the entire agreement between Guarantor and Buyer with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between them with respect to the subject matter hereof. There are no restrictions, promises, representations, warranties, covenants or undertakings between Guarantor and Buyer other than those expressly set forth or referred to herein.

4.3 Binding Effect; Assignment; No Third Party Benefit. Subject to the following sentence, this Guaranty shall be binding upon Guarantor and its successors and assigns and shall inure to the benefit of Buyer and its successors and assigns. Neither this Guaranty nor any of the rights, interests, or obligations hereunder shall be assigned or delegated by a party without the prior written consent of the other party. Except as provided herein, nothing in this Guaranty is intended to or shall confer upon any Person other than the parties, and their successors and assigns, any rights, benefits, or remedies of any nature whatsoever under or by reason of this Guaranty.

4.4 Severability. If any provision of this Guaranty is held to be unenforceable, this Guaranty shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Guaranty shall remain in full force and effect.

4.5 Governing Law. This Guaranty shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to its conflicts of laws rules or principles.

4.6 Counterparts. This Guaranty may be executed by the parties in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement. Such execution may be evidenced by an exchange of facsimile communications or any other rapid transmission devise designed to produce a written record of communications transmitted.

4.7 Consent to Jurisdiction. The parties hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the federal courts of the United States of America located in The Borough of Manhattan, New York, New York, over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby, and each party irrevocably agrees that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by Applicable Law, any objection which they may now or hereafter have to the venue of any dispute arising out of or relating to this Guaranty or any of the transactions contemplated hereby brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each party agrees

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that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Applicable Law.

4.8 Amendment and Waiver. No amendment or waiver of any provision of this Guaranty, nor consent to any departure by Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Guarantor and Buyer. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

4.9 No Implied Waiver. No failure or delay in exercising any right, power or privilege or requiring the satisfaction of any condition hereunder, and no course of dealing between Guarantor and Buyer operates as a waiver or estoppel of any right, remedy or condition. No single or partial exercise of any right or remedy under this Guaranty precludes any simultaneous or subsequent exercise of any other right, power or privilege. The rights and remedies set forth in this Guaranty are not exclusive of, but are cumulative to, any rights or remedies now or subsequently existing at law, in equity or by statute.

4.10 Expenses. Guarantor shall indemnify Buyer for any and all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Buyer in the successful enforcement of any rights under this Guaranty.

**[Signatures on Following Page]**

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IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

**TRANSCANADA PIPELINE USA LTD.**

By: /s/ Lauri Newton  
Name: Lauri Newton  
Title: Assistant Secretary

By: /s/ Nancy F. Priemer  
Name: Nancy F. Priemer  
Title: Vice-President, Financial Services

[Signature Page to Guaranty]

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

**Independent Auditors' Report**

The Management Committee  
Gas Transmission Northwest LLC:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Gas Transmission Northwest LLC (the Company), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Gas Transmission Northwest LLC as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP  
Houston, Texas  
March 28, 2013

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Balance Sheets

December 31, 2012 and 2011

(In thousands)

	2012	2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 46	50
Demand loan receivable from affiliate	20,534	23,837
Accounts receivable:		
Trade, net of allowance of \$0 in 2012 and \$0 in 2011	17,726	17,206
Affiliate	513	365

Other	393	1,410
Materials and supplies	5,806	6,278
Other	5,012	5,596
Total current assets	<u>50,030</u>	<u>54,742</u>
Property, plant, and equipment:		
Property, plant, and equipment	1,700,825	1,696,533
Construction work in progress	15,253	2,505
	<u>1,716,078</u>	<u>1,699,038</u>
Less accumulated depreciation and amortization	(919,794)	(887,397)
Total property, plant, and equipment, net	<u>796,284</u>	<u>811,641</u>
Other assets:		
Regulatory assets	2,164	2,370
Other	949	1,048
Total other assets	<u>3,113</u>	<u>3,418</u>
Total assets	<u>\$ 849,427</u>	<u>869,801</u>

**Liabilities and Members' Equity**

Current liabilities:		
Accounts payable:		
Trade	\$ 6,205	6,317
Affiliates	3,430	3,550
Other	3,863	6,020
Taxes payable (other than income)	726	478
Accrued interest	1,471	1,471
Total current liabilities	<u>15,695</u>	<u>17,836</u>
Long-term debt	325,000	325,000
Other liabilities	20,421	19,749
Members' equity	488,311	507,216
Total liabilities and members' equity	<u>\$ 849,427</u>	<u>869,801</u>

See accompanying notes to financial statements.

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Statements of Income

Years ended December 31, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 197,587	207,458
Operating expenses:		
Operation and maintenance	39,138	44,475
Depreciation and amortization	36,692	37,237
Taxes, other than income	9,459	9,025
Total operating expenses	<u>85,289</u>	<u>90,737</u>
Operating income	112,298	116,721
Other income, net	(286)	(1,499)
Interest and debt expense	17,863	17,951
Interest income from affiliates	(35)	(92)
Income before income taxes	94,756	100,361
Income taxes	—	(1,274)
Net income	<u>\$ 94,756</u>	<u>101,635</u>

See accompanying notes to financial statements.

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Statements of Members' Equity

Years ended December 31, 2012 and 2011

(In thousands)

	2012	2011
Balance at beginning of period	\$ 507,216	576,750
Net income	94,756	101,635
Dividends	—	(25,000)
Distributions to members	(113,661)	(146,169)
Balance at end of period	<u>\$ 488,311</u>	<u>507,216</u>

See accompanying notes to financial statements.

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Statements of Cash Flows

Years ended December 31, 2012 and 2011

(In thousands)

	2012	2011
<b>Cash flows from operating activities:</b>		
Net income	\$ 94,756	101,635
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,692	37,237
Deferred income taxes	—	(7,268)
Allowance for funds used during construction, equity	(219)	(79)
Asset and liability changes:		
Accounts receivable	349	5,033
Other current assets	1,056	(414)
Regulatory assets	205	955
Noncurrent assets	100	1,279
Accounts payable	(5,034)	(880)
Income taxes payable	—	(4,544)
Other current liabilities	249	(167)
Regulatory liabilities	(139)	804
Noncurrent liabilities	—	(1,727)
Net cash provided by operating activities	<u>128,015</u>	<u>131,864</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant, and equipment	(17,661)	(17,086)
Other	—	2,401
Change in affiliate demand loan receivable	3,303	38,193
Net cash (used in) provided by investing activities	<u>(14,358)</u>	<u>23,508</u>
<b>Cash flows from financing activities:</b>		
Dividend to parent	—	(25,000)
Distribution to members	(113,661)	(130,332)
Net cash used in financing activities	<u>(113,661)</u>	<u>(155,332)</u>
Net change in cash and cash equivalents	(4)	40
Cash and cash equivalents at beginning of year	50	10
Cash and cash equivalents at end of year	<u>\$ 46</u>	<u>50</u>
<b>Supplemental cash flow information:</b>		
Cash activities:		
Interest paid, net of capitalized interest	\$ 17,645	17,623
Income taxes paid, net of refunds	—	6,005
Noncash financing activities:		
Accruals for property, plant and equipment	\$ 2,646	—
Calpine receivable distributed	—	9,000
Interaffiliate account representing pension plan distributed	—	(7,031)



See accompanying notes to financial statements.

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

**(1) Description of Business**

Gas Transmission Northwest Corporation (the Company) was incorporated in the state of California on August 9, 1957. The Company was a wholly owned direct subsidiary of TransCanada American Investments, Ltd. (TAIL) and a wholly owned indirect subsidiary of TransCanada PipeLines Limited, TransCanada PipeLine USA Ltd., and TransCanada Corporation. These four entities are individually, or collectively, referred to herein as "TransCanada."

On April 1, 2011, the Company was converted to a limited liability company (LLC). On April 26, 2011, TAIL and TC PipeLines, LP (TCLP) entered into a Purchase and Sale Agreement whereby TCLP acquired from TAIL a 25% interest in the Company. On May 3, 2011, the acquisition was completed.

On April 20, 2011, the Company contributed its investments in Gas Transmission Services LLC and Palomar Gas Holdings, LLC to TAIL.

The Company's 1,353-mile transmission system extends from Kingsgate, British Columbia to Malin, Oregon. It interconnects with TransCanada's BC System at the British Columbia-Idaho border; with Williams (Northwest Pipeline Corporation) at Spokane and Palouse, Washington, and at Stanfield, Oregon. At Malin, Oregon it interconnects with Tuscarora Gas Transmission Company, (a subsidiary of TC PipeLines, LP), Pacific Gas & Electric, and the Ruby Pipeline (Kinder Morgan, Inc.). The transmission system transports natural gas from producing fields primarily located in Western Canada, but also receives U.S. domestic gas supplies at Stanfield, Oregon and Malin, Oregon. The Company's transmission system has the capacity to transport more than 2.9 billion cubic feet of gas a day (Bcf/d) with the capability of delivering more than 2.1 Bcf/d to California and up to 1 Bcf/d to the Pacific Northwest.

**(2) Summary of Significant Accounting Policies**

**(a) Use of Estimates**

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(b) Cash and Cash Equivalents**

The Company's cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair value.

**(c) Accounting for Regulated Operations**

The Company's natural gas pipeline is subject to the authority of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 980, *Regulated Operations*, provides that rate regulated enterprises account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates are designed to recover the costs of providing the regulated service and if the competitive

(Continued)

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

environment makes it probable that such rates can be charged and collected. The Company's natural gas transmission operations are regulated with respect to construction, operations, and determination of rates. The timing of recognition of certain revenues and expenses in this regulated business may differ from that otherwise expected under GAAP to appropriately reflect the economic impact of the regulators' decisions regarding revenues and rates.

The Company's regulatory assets and liabilities at December 31 are as follows:

	2012	2011	Remaining recovery/ settlement period
	(In thousands)		(In years)
<b>Regulatory assets:</b>			
Deferred charge on reacquired debt	\$ 2,164	2,370	12
Fuel tracker (1)	870	1,755	n/a
Total regulatory assets	<u>\$ 3,034</u>	<u>4,125</u>	
<b>Regulatory liabilities:</b>			
Cost of removal (2)	\$ 19,427	18,617	n/a
Total regulatory liabilities	<u>\$ 19,427</u>	<u>18,617</u>	

- (1) The Company's fuel tracker mechanism, as approved by the FERC, provides for 100% recovery of the difference between the value of actual compressor fuel and line gain/loss versus amounts collected through its fuel rates. The value of such differences is reflected as a regulatory asset or liability. The Company's fuel rates are updated on an annual basis to include these differences with fuel estimates for the upcoming year. This is classified as an other current asset.
- (2) The Company collects estimated future removal costs related to its transmission and gathering facilities in its current rates. Estimated costs associated with the future removal of transmission and gathering facilities are collected through depreciation as allowed by FERC. These amounts do not represent asset retirement obligations as defined by FASB ASC 410, *Accounting for Asset Retirement Obligations*.

**(d) Trade Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses on accounts receivable, if it is determined that the Company will not collect all or part of the outstanding receivable balance. The Company regularly reviews its allowance for doubtful accounts and establishes or adjusts the allowance as necessary using the specific-identification method. Account balances are charged to the

(Continued)

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

allowance after all means of collection have been exhausted and the potential for recovery is no longer considered probable. Based upon a review of outstanding accounts receivable, historical collection information, and existing economic conditions, management has determined that all accounts receivable at December 31, 2012 and 2011 are fully collectible, and accordingly, no allowance for doubtful accounts against accounts receivable are necessary. Additionally, the Company did not charge to the allowance any accounts receivable in 2012 and 2011.

**(e) Natural Gas Imbalances**

Natural gas imbalances occur when the actual amount of natural gas delivered to or received from a pipeline system or storage facility differs from the amount of natural gas scheduled to be delivered or received. The Company values these imbalances due to or from shippers and operators at current index prices. Imbalances are settled in-kind, subject to the terms of the Company's tariff.

Imbalances due from others are reported on the balance sheets as trade accounts receivable or accounts receivable from affiliates. Imbalances owed to others are reported on the balance sheets as trade accounts payable or accounts payable to affiliates. In addition, the Company classifies all imbalances as current as the Company expects to settle them within a year.

**(f) Material and Supplies**

The Company's inventory consists of materials and supplies. The materials and supplies are valued at cost with cost determined using the average cost method.

**(g) Property, Plant, and Equipment**

Property, plant, and equipment are recorded at their original cost of construction. For assets the Company constructs, direct costs are capitalized, such as labor and materials, and indirect costs, such as overhead, interest, and an equity return component on regulated businesses as allowed by the FERC. The Company capitalizes major units of property replacements or improvements and expenses minor items.

The Company uses the composite (group) method to depreciate property, plant, and equipment. Under this method, assets with similar lives and characteristics are grouped and depreciated as one asset. The depreciation rate is applied to the total cost of the group until its net book value equals its salvage value. All asset groups are depreciated using the FERC depreciation rates. Currently, the Company's depreciation rates vary from 1.8% to 20% per year. Using these rates, the remaining depreciable life of these assets ranges from 1 to 45 years.

When property, plant, and equipment are retired, the Company charges accumulated depreciation and amortization for the original cost of the assets in addition to the cost to remove, sell, or dispose of the assets, less their salvage value. The Company does not recognize a gain or loss unless an entire operating unit is sold or retired. The Company includes gains or losses on dispositions of operating units in income.

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

funds used during construction (AFUDC). AFUDC is calculated based on the Company's average cost of debt and equity. Debt amounts capitalized during the years ended December 31, 2012 and 2011 were not material. These amounts are included as a reduction of interest and debt expense in the statements of income. Equity amounts capitalized during the years ended December 31, 2012 and 2011 were not material. Capitalized carrying costs for AFUDC debt and equity are reflected as an increase in the cost of the asset on the balance sheets.

**(h) Long-Lived Assets**

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

**(i) Revenue Recognition**

The Company's revenues are primarily generated from transportation services and are based on the quantity of gas delivered or subscribed at a price specified in the contract. Transportation revenues include both reservation revenues and interruptible or volumetric-based services. For the Company's reservation revenues, the Company recognizes revenues on firm contracted capacity ratably over the contract period regardless of the amount of natural gas that is transported. For the Company's interruptible or volumetric-based services, the Company records revenues when physical delivery of natural gas occurs. The Company does not take ownership of the gas that it transports. The Company is subject to FERC regulations, and as a result, revenues the Company collects may be subject to refund in a rate proceeding. The Company establishes allowances for these potential refunds. As of December 31, 2012 and 2011, the Company has not received any revenue that is subject to refund.

**(j) Commitments and Contingencies**

**Accounting for Asset Retirement Obligations**

The Company accounts for asset retirement obligations pursuant to the provisions of FASB ASC 410-20, *Asset Retirement Obligations*. FASB ASC 410-20 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. FASB ASC 410-20 also requires the Company to record a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is to be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

The Company has determined it has legal obligations associated with its natural gas pipelines and related transmission facilities. The obligations relate primarily to purging and sealing the pipelines if they are abandoned. The Company is also required to operate and maintain its natural gas pipeline system, and intends to do so as long as supply and demand for natural gas exists, which the Company expects for the foreseeable future. Therefore, the Company believes its natural gas pipeline system assets have indeterminate lives and, accordingly, has recorded no asset retirement obligation as of December 31, 2012 and 2011. The Company continues to evaluate its asset retirement obligations and future developments that could impact amounts it records.

**Other Contingencies**

The Company recognizes liabilities for other contingencies when it has an exposure that, when fully analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Where the most likely outcome of a contingency can be reasonably estimated, the Company accrues a liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established, and if no one amount in that range is more likely than any other, the lower end of the range is accrued.

**(k) Income Taxes**

**For the Period Subsequent to April 1, 2011**

The Company is no longer subject to income taxes and settled all current and deferred income tax balances pursuant to the Company's tax-sharing agreement with TransCanada PipeLine USA Ltd. upon conversion to an LLC on April 1, 2011. Income taxes are the responsibility of the members and are not reflected in these financial statements.

**For Periods Prior to April 1, 2011**

The Company used the Asset and Liability method of accounting for income taxes. This method requires the recognition of deferred income tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period during which they occur.

The Company is party to a federal tax-sharing agreement with TransCanada PipeLine USA Ltd. The Company was included in a consolidated federal return filed by TransCanada PipeLine USA Ltd. but determined its current tax liabilities as if separate returns were filed. Pursuant to the tax-sharing agreement, the Company settled its tax liability/benefit with TransCanada PipeLine USA Ltd. For states that required combined/consolidated returns, the Company was included with certain TransCanada affiliates and settled its tax liabilities/refunds with TransCanada PipeLine USA Ltd. For all other state returns, the Company filed and paid its tax liabilities directly to the taxing jurisdictions.

(Continued)

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

The Company evaluated its tax positions for all jurisdictions and for all years where the statute of limitations had not expired to meet a more-likely than-not threshold (i.e., greater than a 50% likelihood of a tax position being sustained under examination) prior to recording a benefit for its tax positions. Additionally, for tax positions meeting this more-likely than-not threshold, the amount of benefit was limited to the largest benefit that had a greater than 50% probability of being realized upon ultimate settlement. Changes in recognition or measurement were reflected in the period in which the change in judgment occurred.

The Company performed a review of its uncertain tax positions and determined that there were no adjustments required for uncertain tax positions.

**(3) Income Taxes**

**(a) Components of Income Taxes**

The following table reflects the components of income tax expense included in income for the year ended December 31, 2011 (in thousands):

<b>Current:</b>	
Federal	\$ 4,343
State	945
Total current income tax expense	<u>5,288</u>
<b>Deferred:</b>	
Federal	(5,910)
State	(652)
Total deferred income tax expense	<u>(6,562)</u>
Total income tax expense	<u>\$ (1,274)(1)</u>

(1) Through April 1, 2011; subsequently the Company was not taxable. See note 2(k).

(Continued)

December 31, 2012 and 2011

**(b) Effective Tax Rate Reconciliation**

The Company's income tax expense differs from the amount computed by applying the statutory federal income tax rate of 35% for the following reasons at April 1, 2011 (in thousands):

Income tax expense at the statutory federal rate of 35%	\$ 10,905
State income taxes, net of federal income tax effect	190
Deferred tax adjustment	(13,752)
Regulatory assets adjustment	641
Other	742
Income tax expense	<u>\$ (1,274)</u>
Effective tax rate	<u>(4.0)%</u>

(1) Through April 1, 2011; subsequently the Company was not taxable. See note 2(k).

**(4) Commitments and Contingencies****(a) Legal Proceedings**

In December 2009, PacifiCorp filed suit against the Company and Northwest Pipeline in Oregon State Court for approximately \$7 million for damage to equipment at the Hermiston plant and lost profits. The plant is a natural gas generating facility located in Hermiston, Oregon. The Company's motion to remove the case to federal court was successful.

The parties conducted a site visit in December 2011. A number of Summary Judgment Motions pending by all parties were heard and the court-ordered mediation occurred, without resolution in May 2012. In July 2012, the federal judge ruled that the issue of "commercially free" gas in the GTN's tariff is subject to interpretation by FERC. The parties have briefed the issues to FERC and are waiting for FERC to determine whether a technical conference is necessary.

**(b) Counterparty Credit Risk**

Counterparty credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

On December 20, 2005, Calpine corporation and certain subsidiaries, including Calpine Energy Services, LP, (collectively, Calpine), a shipper on the Company, filed for protection under Chapter 11 of the United States Bankruptcy Code. As of December 31, 2007, Calpine had defaulted on all of its firm transportation agreements with the Company. The Company held cash collateral from Calpine of approximately \$6 million at the time of default. In 2008, the Bankruptcy Court

(Continued)

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

approved a settlement by the Company and Calpine under which the Company had an allowed unsecured claim against the Calpine estate in the amount of \$192.5 million, plus retention of the \$6 million in collateral held by the Company.

In February 2008, the Company received from TransCanada an initial distribution of 9.4 million shares in the reorganized Calpine in partial satisfaction of its claim. These shares were sold in February 2008 at \$16.36 per share less commission fees, yielding \$153.7 million.

In December 2010, the Company accrued an additional pretax gain of \$9 million related to future proceeds with respect to its unsecured claim against the Calpine estate. The amount accrued is indicative of an estimated minimum amount due to the Company under the terms of the bankruptcy settlement. The accrued amount was transferred to TAIL as a distribution on April 25, 2011, prior to the sale transaction disclosed in note 1.

**(c) Regulatory Matters**

The Company's transportation rates, which were in effect through December 31, 2011, were established in January 2008 in accordance with a settlement approved by the FERC and were effective January 1, 2007. Under the related settlement, a five-year rate moratorium was instituted, during which the Company and settling parties were prohibited under the Natural Gas Act of 1938 from taking certain actions, including initiating or supporting any rate review of the Company's rates. This settlement also required the Company to file a Natural Gas Act Section 4 rate case within seven years of the effective date.

In lieu of filing a subsequent rate case under the terms of the 2007 settlement, on August 12, 2011, the Company filed a petition with the FERC requesting approval of a settlement with shippers and regulators regarding the Company's rates and terms and conditions of service, effective January 1, 2012. On November 30, 2011, the FERC approved the settlement without modification, effective January 1, 2012. The settlement provided for a four-year moratorium period during which the Company and the settling parties are prohibited from taking certain actions, including making certain filings that would be inconsistent with the settlement. This settlement also requires the Company to file a general section 4 rate case for an effective date of January 1, 2016.

**(d) Environmental Matters**

The Company is not party to any material contingent liabilities with respect to compliance with applicable environmental laws and regulations.

(Continued)

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

**(e) Operating Leases**

The Company leases property, facilities, and equipment under various operating leases. Minimum future annual rental commitments on the Company's operating leases as of December 31, 2012 were as follows (in thousands):

Year ending December 31:	
2013	\$ 574
2014	566
2015	583
2016	392
2017	242
Thereafter	723
Total	<u>\$ 3,080</u>

Rental expense on the Company's operating leases for the years ended December 31, 2012 and 2011 was \$0.4 million and \$0.3 million, respectively.

**(f) Other Commercial Commitments**

The Company holds cancelable easements or rights-of-way arrangements from landowners permitting the use of land for the construction and operation of the Company's pipeline system. Currently, the Company's obligations under these easements are not material to its results of operations.

**(g) Other**

The Company is from time to time subject to litigation incidental to its business. The Company is not aware of any contingent liabilities that would have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

**(5) Long-Term Debt**

The Company's long-term debt outstanding consisted of the following at December 31:

	2012	2011
	(In thousands)	
5.09% senior unsecured notes, due 2015	\$ 75,000	75,000
5.29% senior unsecured notes, due 2020	100,000	100,000
5.69% senior unsecured notes, due 2035	150,000	150,000
Total long-term debt less current maturities	<u>\$ 325,000</u>	<u>325,000</u>

The 2005 Note Purchase Agreement contains a covenant that limits total debt to no greater than 70 percent of total capitalization. At December 31, 2012, the total debt to total capitalization ratio was 40%.

(Continued)

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

As of December 31, 2012, the Company was in compliance with all its financial covenants.

## (6) Fair Value Measurements

### (a) Fair Value Hierarchy

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value measurements are characterized in one of three levels based upon the input used to arrive at the measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

When appropriate, valuations are adjusted for various factors including credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

### (b) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments that are measured on a recurring basis at December 31, 2012 and 2011. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
(In thousands)				
<b>Financial assets:</b>				
Demand loan receivable from affiliate	\$ 20,534	20,534	23,837	23,837
<b>Financial liabilities:</b>				
Long-term debt	325,000	406,944	325,000	388,794

The following methods and assumptions were used to estimate the fair value of each class of financial instruments measured on a recurring basis:

Demand loan receivable from affiliate — The carrying amount of demand loan receivable from affiliate approximates fair value due to the short maturity of the investments.

Long-term debt — The fair value of notes was estimated based on quoted market prices for the same or similar debt instruments with similar terms and remaining maturities, which is classified as

(Continued)

## GAS TRANSMISSION NORTHWEST LLC (Formerly, Gas Transmission Northwest Corporation)

### Notes to Financial Statements

December 31, 2012 and 2011

Level 2 in "Fair Value Hierarchy," where the fair value is determined by using valuation techniques that refer to observable market data. The Company presently intends to maintain the current schedule of maturities for its notes, which will result in no gains or losses on repayment.

## (7) Transactions with Major Customer

The following table shows revenues from the Company's major customers comprising more than 10% of the Company's total revenues for the years ended December 31:

	2012		2011	
	Amount	Percentage of total	Amount	Percentage of total
(In thousands)				
Pacific Gas and Electric Company	\$ 46,793	23.68%	\$ 68,061	32.90%
Avista Corporation	24,038	12.17	22,137	10.70

## (8) Transactions with Affiliated Companies

### (a) Cash Management Program

The Company participates in TransCanada's cash management program, which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. Monies advanced under the agreement are considered to be a loan, accruing interest and repayable on demand. The Company shall receive interest on monies advanced to TransCanada at the rate of interest earned by TransCanada on its short-term cash investments. The Company shall pay interest on monies advanced from TransCanada based on TransCanada's short-term borrowing costs or commercial paper rate. At December 31, 2012 and 2011, the Company had a demand loan receivable from TransCanada of \$20.5 million and \$23.8 million, respectively.

**(b) Affiliate Revenues and Expenses**

The Company is charged by TransCanada for services such as legal, tax, treasury, human resources, other administrative functions, and for other costs incurred on its behalf. These include, but are not limited to, employee benefit costs and property and liability insurance costs.

	December 31	
	2012	2011
Costs charged by TransCanada's subsidiaries	\$ 28.8	33.1
Impact on the Company's net income	27.3	31.7

These costs are based on direct assignment to the extent practicable, or by using allocation methods that are reasonable reflections of the utilization of services provided to or for the benefits received by the Company.

(Continued)

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Notes to Financial Statements

December 31, 2012 and 2011

At December 31, 2012 and December 31, 2011, the Company owed \$2.8 million and \$3.4 million, respectively, to these affiliates classified as accounts payable to associated companies on the balance sheet.

**(9) Subsequent Events**

On January 11, 2013, the Management Committee of the Company declared a cash distribution in the amount of \$22.2 million. The distribution was paid on February 1, 2013.

Subsequent events have been assessed through March 28, 2013, which is the date the financial statements were issued, and management has concluded there were no events or transactions during this period that would require recognition or disclosure in the financial statements other than those already reflected.

(Continued)



## GAS TRANSMISSION NORTHWEST LLC

**Financial Statements**  
**March 31, 2013 and 2012**  
**(Unaudited)**

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

## Balance Sheets

Unaudited

(In thousands)

	March 31, 2013	December 31, 2012
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 43	46
Demand loan receivable from affiliate	36,446	20,534
Accounts receivable:		
Trade, net of allowance of \$0 in 2012 and \$0 in 2011	16,714	17,726
Affiliate	234	513
Other	243	393
Materials and supplies	5,754	5,806
Other	2,856	5,012
Total current assets	62,290	50,030
<b>Property, plant, and equipment:</b>		
Property, plant, and equipment	1,711,417	1,700,825
Construction work in progress	4,017	15,253
	1,715,434	1,716,078
Less accumulated depreciation and amortization	(927,669)	(919,794)
Total property, plant, and equipment, net	787,765	796,284
<b>Other assets:</b>		
Regulatory assets	2,121	2,164
Other	927	949
Total other assets	3,048	3,113
Total assets	\$ 853,103	849,427
<b>Liabilities and Members' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable:		
Trade	\$ 1,905	6,205
Affiliates	2,560	3,430
Other	5,013	3,863
Taxes payable (other than income)	1,689	726
Accrued interest	5,883	1,471
Total current liabilities	17,050	15,695
Long-term debt	325,000	325,000
Other liabilities	20,607	20,421
Members' equity	490,446	488,311
Total liabilities and members' equity	\$ 853,103	849,427

See accompanying notes to financial statements.

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Statements of Income

Unaudited

(In thousands)

	Three Months Ended March 31,	
	2013	2012
Operating revenues	\$ 48,948	51,974
Operating expenses:		
Operation and maintenance	8,679	8,948
Depreciation and amortization	9,185	9,187
Taxes, other than income	2,320	2,468
Total operating expenses	20,184	20,603
Operating income	28,764	31,371
Other income, net	(75)	13
Interest and debt expense	4,465	4,483
Interest income from affiliates	(9)	(7)
Net income	\$ 24,383	26,882

See accompanying notes to financial statements.

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**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Statements of Members' Equity

Unaudited

(In thousands)

	Three Months Ended March 31,	
	2013	2012
Balance at beginning of period	\$ 488,311	507,216
Net income	24,383	26,882
Distributions to members	(22,248)	(21,404)
Balance at end of period	\$ 490,446	512,694

See accompanying notes to financial statements.

3

**GAS TRANSMISSION NORTHWEST LLC**  
(Formerly, Gas Transmission Northwest Corporation)

Statements of Cash Flows

Unaudited

(In thousands)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 24,383	26,882
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,185	9,187
Allowance for funds used during construction, equity	(59)	(30)
Asset and liability changes:		
Accounts receivable	928	(55)
Other current assets	2,209	2,083
Regulatory assets	43	62
Noncurrent assets	20	40

Accounts payable	(3,618)	(5,182)
Other current liabilities	5,375	5,446
Regulatory liabilities	(17)	115
Net cash provided by operating activities	38,449	38,548
Cash flows from investing activities:		
Additions to property, plant, and equipment	(292)	(3,653)
Change in affiliate demand loan receivable	(15,912)	(13,491)
Net cash (used in) provided by investing activities	(16,204)	(17,144)
Cash flows from financing activities:		
Distribution to members	(22,248)	(21,404)
Net cash used in financing activities	(22,248)	(21,404)
Net change in cash and cash equivalents	(3)	—
Cash and cash equivalents at beginning of year	46	50
Cash and cash equivalents at end of year	\$ 43	50
Supplemental cash flow information:		
Cash activities:		
Interest paid, net of capitalized interest	\$ —	—
Noncash financing activities:		
Accruals for property, plant and equipment	\$ —	—

See accompanying notes to financial statements.

**Gas Transmission Northwest LLC**  
**Notes to Financial Statements**  
**(Unaudited)**

**(1) Description of Business**

Gas Transmission Northwest LLC, formerly Gas Transmission Northwest Corporation (the Company), was originally incorporated in the state of California on August 9, 1957. The Company was a wholly owned direct subsidiary of TransCanada American Investments, Ltd. (TAIL) and a wholly owned indirect subsidiary of TransCanada PipeLines Limited, TransCanada PipeLine USA Ltd, and TransCanada Corporation. These four entities are individually, or collectively, referred to herein as “TransCanada”.

On April 1, 2011, the Company was converted to a limited liability company (LLC). On April 26, 2011, TAIL and TC Pipe Lines, LP (TCLP) entered into a Purchase and Sale Agreement whereby TCLP acquired from TAIL a 25% interest in the Company. On May 3, 2011 the acquisition was completed.

The Company’s 1,353-mile transmission system extends from Kingsgate, British Columbia to Malin, Oregon. It interconnects with TransCanada’s BC System at the British Columbia-Idaho border, with Williams (Northwest Pipeline Corporation) at Spokane and Palouse, Washington and at Stanfield, Oregon. At Malin, Oregon it interconnects with Tuscarora Gas Transmission Company, (a subsidiary of TC PipeLines, LP), Pacific Gas & Electric and the Ruby Pipeline (Kinder Morgan, Inc.). The transmission system transports natural gas from producing fields primarily located in Western Canada, but also receives U.S. domestic gas supplies at Stanfield, Oregon and Malin, Oregon. The Company’s transmission system has the capacity to transport more than 2.9 billion cubic feet of gas a day (Bcf/d) with the capability of delivering more than 2.1 Bcf/d to California and upto 1 Bcf/d to the Pacific Northwest.

**(2) Basis of Presentation**

These unaudited financial statements have been prepared in accordance with interim period reporting requirements. Because this is an interim period, this report does not include all the disclosures required by generally accepted accounting principles. This quarterly report should be read in conjunction with the Company’s 2012 audited financial statements, which includes a summary of the Company’s significant accounting policies and other disclosures. The Company has made all adjustments that are of a normal recurring nature to fairly present its interim period results. Prior year amounts have been reclassified where necessary to conform to the 2013 presentation. Due to the Company’s business, information for interim periods may not be indicative of the Company’s results of operations for the entire year.

**(3) Commitments and Contingencies**

**(a) Legal Proceedings**

In December 2009, PacifiCorp filed suit against the Company and Northwest Pipeline in Oregon State Court for approximately \$7 million for damage to equipment at the Hermist on plant and lost profits. The plant is a natural gas generating facility located in Hermiston, Oregon. The Company’s motion to remove the case to federal court was successful.

The parties conducted a site visit in December 2011. A number of Summary Judgment Motions pending by all parties were heard and the court-ordered mediation occurred, without resolution in May 2012. In July 2012, the federal judge ruled that the issue of “commercially free” gas in the GTN’s tariff is subject to interpretation by the Federal Energy Regulatory Commission (FERC). FERC ruled that “commercially free” does not mean gas free of liquids but instead is to be determined on a case-by-case basis. Thus, the case is returned to the federal court for resolution.

**Gas Transmission Northwest LLC  
Notes to Financial Statements  
(Unaudited)**

**(b) Regulatory Matters**

The Company’s transportation rates were established in November 2011 in accordance with a settlement approved by the FERC and were effective January 1, 2012. The settlement provides for a four-year moratorium period during which the Company and the settling parties are prohibited from taking certain actions, including making certain filings that would be inconsistent with the settlement. This settlement also requires the Company to file a general section 4 rate case for an effective date of January 1, 2016.

**(c) Environmental Matters**

The Company is not aware of any material contingent liabilities with respect to compliance with applicable environmental laws and regulations.

**(d) Other Commercial Commitments**

The Company holds cancelable easements or rights-of-way arrangements from landowners permitting the use of land for the construction and operation of the Company’s pipeline system. Currently, the Company’s obligations under these easements are not material to its results of operations.

**(e) Other**

The Company is from time to time subject to litigation incidental to its business. The Company is not aware of any contingent liabilities that would have a material adverse effect on the Company’s financial condition, results of operations, or cash flows.

**(4) Income Taxes**

The Company converted to a limited liability company (LLC) on April 1, 2011. The Company is no longer subject to income taxes and settled all current and deferred income tax balances pursuant to our tax sharing agreement with TransCanada PipeLine USA Ltd.

**(5) Transactions with Affiliated Companies**

**(a) Cash Management Program**

The Company participates in TransCanada’s cash management program, which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. Monies advanced under the agreement are considered to be a loan, accruing interest and repayable on demand. The Company shall receive interest on monies advanced to TransCanada at the rate of interest earned by TransCanada on its short-term cash investments. The Company shall pay interest on monies advanced from TransCanada based on TransCanada’s short-term borrowing costs or commercial paper rate. At March 31, 2013, and December 31, 2012, the Company had a demand loan receivable from TransCanada of \$36.5 million and \$20.5 million, respectively.

**(b) Affiliate Expenses**

The Company is charged by TransCanada for services such as legal, tax, treasury, human resources, other administrative functions, and for other costs incurred on its behalf. These include, but are not limited to, employee benefit costs and property and liability insurance costs.

**Gas Transmission Northwest LLC  
Notes to Financial Statements  
(Unaudited)**

	Three Months Ended March 31,			
	2013		2012	
Costs charged by TransCanada’s subsidiaries	\$	6.8	\$	7.1
Impact on the Company’s net income	\$	6.5	\$	6.9

These costs are based on direct assignment to the extent practicable, or by using allocation methods that are reasonable reflections of the utilization of services provided to or for the benefits received by the Company.

At March 31, 2013 and December 31, 2012, the Company owed \$2.4 million and \$2.8 million, respectively to these affiliates classified as accounts payable to associated companies on the balance sheet

**(6) Subsequent Events**

On April 18, 2013, the Management Committee declared a distribution in the amount of \$33.3 million. The distribution was paid on May 1, 2013.

Subsequent events have been assessed through May 13, 2013, which is the date the financial statements were issued, and management has concluded there were no events or transactions during this period that would require recognition or disclosure in the consolidated financial statements other than those already reflected.

**BISON PIPELINE LLC**

Financial statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

**Independent Auditors' Report**

The Partners and the Management Committee Bison Pipeline LLC:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bison Pipeline LLC (the Company), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, members' capital, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Bison Pipeline LLC as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP  
Houston, Texas  
May 13, 2013

**BISON PIPELINE LLC**

Balance Sheets

December 31, 2012 and 2011

(In thousands)

<b>Assets</b>	<b>2012</b>	<b>2011</b>
<b>Current assets:</b>		
Cash	\$ 67	293
Demand loan receivable from affiliate	—	2,220
Accounts receivable	6,801	7,021
Prepaid expenses and other	179	374
Materials and supplies	5	3
Total current assets	<u>7,052</u>	<u>9,911</u>
<b>Property, plant, and equipment:</b>		
Natural gas transmission plant	670,526	659,995
Construction work in progress	11	—

Total property, plant and equipment	670,537	659,995
Less accumulated depreciation	36,287	17,294
Property, plant and equipment, net	634,250	642,701
Total assets	<u>\$ 641,302</u>	<u>652,612</u>
<b>Liabilities and Members' Capital</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,145	8,396
Demand loan payable to affiliate	14,913	—
Accounts payable-affiliate	788	1,028
Security deposits	—	500
Accrued taxes other than income taxes	6,779	5,715
Other	295	427
Total current liabilities	<u>24,920</u>	<u>16,066</u>
Members' capital	616,382	636,546
Total liabilities and members' capital	<u>\$ 641,302</u>	<u>652,612</u>

See accompanying notes to financial statements.

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## BISON PIPELINE LLC

### Statements of Income

Years ended December 31, 2012 and 2011

(In thousands)

	2012	2011
Operating revenues	\$ 80,228	76,228
Operating expenses:		
Operation and maintenance	6,501	6,176
Depreciation and amortization	18,990	17,294
Taxes, other than income	10,828	9,368
Total operating expenses	<u>36,319</u>	<u>32,838</u>
Operating income	<u>43,909</u>	<u>43,390</u>
Other income (expense):		
Interest and debt expense	(49)	(1,985)
Other	(30)	1,745
Total other expenses, net	<u>(79)</u>	<u>(240)</u>
Net income to members	<u>\$ 43,830</u>	<u>43,150</u>

See accompanying notes to financial statements.

3

## BISON PIPELINE LLC

### Statement of Members' Capital

Years ended December 31, 2012 and 2011

(In thousands)

Members' capital, December 31, 2010	\$ 310,852
Contributions	305,000
Distributions	(22,456)
Net income	43,150
Members' capital, December 31, 2011	<u>636,546</u>
Distributions	(63,994)
Net income	43,830
Members' capital, December 31, 2012	<u>\$ 616,382</u>

See accompanying notes to financial statements.

4

Statements of Cash Flows

Years ended December 31, 2012 and 2011

(In thousands)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 43,830	43,150
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,990	17,294
Allowance for funds used during construction, equity	(7)	(1,743)
Asset and liability changes:		
Accounts receivable	219	(7,021)
Prepaid expenses and other current assets	194	(377)
Accounts payable and accrued liabilities	(4)	1,046
Accrued taxes	1,064	5,690
Accrued interest	—	(15)
Customer deposits	(500)	500
Net cash provided by operating activities	<u>63,786</u>	<u>58,524</u>
Cash flows from investing activities:		
Capital expenditures	(17,151)	(142,826)
Net change in affiliate demand loan	17,133	(37,077)
Net cash provided by (used in) investing activities	<u>(18)</u>	<u>(179,903)</u>
Cash flows from financing activities:		
Borrowings from revolving credit facility	—	144,000
Repayments on revolving credit facility	—	(305,000)
Contributions from members	—	305,000
Distributions to members	(63,994)	(22,456)
Net cash used in financing activities	<u>(63,994)</u>	<u>121,544</u>
Net change in cash and cash equivalents	(226)	165
Cash and cash equivalents, beginning of year	293	128
Cash and cash equivalents, end of year	<u>\$ 67</u>	<u>293</u>

See accompanying notes to financial statements.

**BISON PIPELINE LLC**

Notes to Financial Statements

December 31, 2012 and 2011

**(1) Organization and Description of Business**

Bison Pipeline LLC, a Delaware limited liability company (the Company), was formed by Northern Border Pipeline Company (Northern Border) on May 27, 2008. On August 29, 2008, Northern Border sold the Company to TC Continental Pipeline Holdings Inc. (TC Continental), a direct wholly owned subsidiary of TransCanada Pipeline USA Ltd and an indirect wholly owned subsidiary of TransCanada Pipelines Limited and TransCanada Corporation. These three entities are individually, or collectively, referred to herein as “TransCanada.” TransCanada Northern Border Inc., an indirect wholly owned subsidiary of TransCanada, is the operator of the Company’s pipeline.

On April 26, 2011, TC Continental and TC Pipelines Intermediate Limited Partnership ( TCILP) entered into a Purchase and Sale Agreement whereby TCLP acquired from TC Continental a 25% interest in Bison. On May 2, 2011, the acquisition was completed.

The Company owns an interstate natural gas pipeline that transports gas from the Powder River Basin to the Midwest markets (Bison or the pipeline). The pipeline, which commenced commercial service on January 14, 2011, provides producers in the Powder River Basin with additional natural gas pipeline capacity to access and meet natural gas demand of the Midwest.

Bison consists of approximately 302 miles of 30-inch-diameter natural gas pipeline and related pipeline system facilities that extend northeastward from the Dead Horse Region near Gillette, Wyoming, through southeastern Montana and southwestern North Dakota where it interconnects with the Northern Border pipeline system near its Compressor Station in Morton County, North Dakota.

Bison’s design capacity is approximately 407 million cubic feet per day of natural gas.

**(2) Summary of Significant Accounting Policies**

**(a) Use of Estimates**

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.



**(b) Accounting for Regulated Operations**

The Company's natural gas pipeline operation is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 980, *Regulated Operations*, provides that rate regulated enterprises account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. As of December 31, 2012 and 2011, the Company does not have any material regulatory assets or liabilities reflected in these financial statements.

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**BISON PIPELINE LLC**

Notes to Financial Statements

December 31, 2012 and 2011

**(c) Cash and cash equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents and are recorded at cost, which approximates fair value.

**(d) Trade Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses on accounts receivable if it is determined the Company will not collect all or part of the outstanding receivable balance. The Company regularly reviews its allowance for doubtful accounts and establishes or adjusts the allowance as necessary using the specific-identification method. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Based upon a review of outstanding accounts receivable, historical collection information, and existing economic conditions management has determined that all accounts receivable at December 31, 2012 and 2011 are fully collectible, and accordingly, no allowance for doubtful accounts against accounts receivable are necessary. Additionally, the Company did not have any accounts written off for 2012 and 2011.

**(e) Natural Gas Imbalances**

Natural gas imbalances occur when the actual amount of natural gas delivered to or received from a pipeline system differs from the amount of natural gas scheduled to be delivered or received. The Company values these imbalances due to or from shippers and operators at current index prices. Imbalances are settled in kind, subject to the terms of the Company's tariff.

Imbalances due from others are reported on the balance sheets as trade accounts receivable or accounts receivable from affiliates. Imbalances owed to others are reported on the balance sheets as trade accounts payable or accounts payable to affiliates. In addition, the Company classifies all imbalances as current as the Company expects to settle them within a year.

**(f) Material and Supplies**

The Company's inventory consists of materials and supplies. The materials and supplies are valued at cost with cost determined using the average cost method.

**(g) Property, Plant, and Equipment and Related Depreciation and Amortization**

Property, plant, and equipment are recorded at their original cost of construction. For assets the Company constructs, direct costs are capitalized, such as labor and materials, and indirect costs, such as overhead and interest. The Company capitalizes major units of property replacements or improvements and expenses minor items.

The Company uses the composite (group) method to depreciate property, plant, and equipment. Under this method, assets with similar lives and characteristics are grouped and depreciated as one asset. The depreciation rate is applied to the total cost of the group until its net book value equals its salvage value. All asset groups are depreciated using the FERC depreciation rates. Currently, the Company's depreciation rates vary from 3% to 20% per year. Using these rates, the remaining

(Continued)

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**BISON PIPELINE LLC**

Notes to Financial Statements

December 31, 2012 and 2011

depreciable life of these assets ranges from 4-35 years. Depreciation rates are re-evaluated when the Company files with the FERC for a change in its transportation service rates.

When property, plant, and equipment are retired, the Company charges accumulated depreciation and amortization for the original cost of the assets in addition to the cost to remove, sell, or dispose of the assets, less their salvage value. The Company does not recognize a gain or loss unless an entire operating unit is sold or retired. The Company includes gains or losses on dispositions of operating units in income.

The Company capitalizes a carrying cost on funds invested in the construction of long-lived assets. This carrying cost includes a return on the investment financed by debt and equity allowance for funds used during construction (AFUDC). After the initial cost of construction, AFUDC is calculated based on the Company's average cost of debt and equity. Capitalized carrying costs for AFUDC debt and equity are reflected as an increase in the cost of the asset on the balance sheets. Debt amounts capitalized are included as a reduction of interest and debt expense in the statements of income. Equity amounts capitalized are included as other income in the statements of income. AFUDC debt and equity capitalized during the year ended December 31, 2012 were not material to the financial statements. AFUDC debt and equity capitalized during the year ended December 31, 2011 were \$0.2 million and \$1.7 million, respectively.

**(h) Long-Lived Assets**

Long-lived such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

**(i) Revenue Recognition**

The Company's revenues are primarily generated from transportation services. Revenues for all services are based on the quantity of gas delivered or subscribed at a price specified in the contract. For the Company's transportation services, reservation revenues are recognized on firm contracted capacity ratably over the contract period regardless of the amount of natural gas that is transported. For interruptible or volumetric-based services, the Company records revenues when physical deliveries of natural gas are made at the agreed-upon delivery point. The Company does not take ownership of the gas that it transports. The Company is subject to FERC regulations, and as a result, revenues the Company collects may be subject to refund in a rate proceeding. The Company establishes reserves for these potential refunds. As of December 31, 2012 and 2011, the Company has not received any revenue that is subject to refund.

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**BISON PIPELINE LLC**

Notes to Financial Statements

December 31, 2012 and 2011

**(j) Commitments and Contingencies**

**Accounting for Asset Retirement Obligations**

The Company accounts for asset retirement obligations pursuant to the provisions of FASB ASC 410-20, *Asset Retirement Obligations*. FASB ASC 410-20 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. FASB ASC 410-20 also requires the Company to record a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is to be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

The Company has determined it has legal obligations associated with its natural gas pipelines and related transmission facilities. The obligations relate primarily to purging and sealing the pipelines if they are abandoned. The Company is also required to operate and maintain its natural gas pipeline system, and intends to do so as long as supply and demand for natural gas exists, which the Company expects for the foreseeable future. Therefore, the Company believes its natural gas pipeline system assets have indeterminate lives and, accordingly, has recorded no asset retirement obligation as of December 31, 2012 and 2011. The Company continues to evaluate its asset retirement obligations and future developments that could impact amounts it records.

**Other Contingencies**

The Company recognizes liabilities for other contingencies when it has an exposure that, when fully analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Where the most likely outcome of a contingency can be reasonably estimated, the Company accrues a liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established and if no one amount in that range is more likely than any other, the lower end of the range is accrued.

**(k) Income Taxes**

Income taxes are the responsibility of the members and are not reflected in these financial statements.

(3) **Commitments and Contingencies**

(a) **Environmental Matters**

The Company is not aware of any material contingent liabilities with respect to compliance with applicable environmental laws and regulations.

(b) **Other Commercial Commitments**

The Company had commitments of approximately \$1.0 million as at December 31, 2012 in connection with reclamation and restoration work associated with the construction of the pipeline.

(Continued)

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**BISON PIPELINE LLC**

Notes to Financial Statements

December 31, 2012 and 2011

(c) **Other**

The Company is from time to time subject to other litigation incidental to its business. The Company is not aware of any contingent liabilities that would have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

(4) **Major Customers**

The Company's largest customers are Anadarko Energy Services Company, WPX Energy Marketing, LLC and Minnesota Energy Resources Corporation contributing approximately 60% (2011-59%), 25% (2011-25%) and 13% (2011-13%), respectively, of the Company's revenue in 2012.

(5) **Fair Value Measurements**

(a) **Fair Value Hierarchy**

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value measurements are characterized in one of three levels based upon the input used to arrive at the measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

When appropriate, valuations are adjusted for various factors including credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

(Continued)

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**BISON PIPELINE LLC**

Notes to Financial Statements

December 31, 2012 and 2011

(b) **Fair Value of Financial Instruments**

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments that are measured on a recurring basis at December 31, 2012 and 2011. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)			
Financial asset:				
Demand loan receivable from affiliate	\$	—	—	2,220
Financial liability:				

The following methods and assumptions were used to estimate the fair value of each class of financial instruments measured on a recurring basis:

Demand loan receivable from affiliate— The carrying amount of demand loan receivable from affiliate approximates fair value due to the short maturity of the investments.

Demand loan payable to affiliate — The carrying amount of demand loan payable to affiliate approximates fair value due to the short maturity of these borrowings.

## (6) Transactions with Affiliated Companies

### (a) Cash Management Program

The Company participates in TransCanada's cash management program which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. Monies advanced under the agreement are considered to be a loan, accruing interest and repayable on demand. The Company receives interest on monies advanced to TransCanada at the rate of interest earned by TransCanada on its short-term cash investments. The Company pays interest on monies advanced from TransCanada based on TransCanada's short term borrowing costs or commercial paper rate.

At December 31, 2012, the Company had a demand loan payable to TransCanada PipeLine USA Ltd, amounting to \$14.9 million and interest expense associated with the Cash Management Agreement was immaterial to the financial statements. At December 31, 2011, there was a demand loan receivable amounting to \$2.2 million and interest income associated with the Cash Management Agreement was immaterial to the financial statements.

(Continued)

## BISON PIPELINE LLC

### Notes to Financial Statements

December 31, 2012 and 2011

### (b) Affiliate Expenses

TransCanada's subsidiaries provide capital, operating and administrative services to the Company. Costs charged to the Company are summarized in the following table in thousands of dollars:

	Year ended December 31	
	2012	2011
	(In thousands)	
Costs charged by TransCanada's subsidiaries	\$ 6,100	10,700
Impact on the Company's net income	5,400	5,700

At December 31, 2012 and December 31, 2011, the Company owed \$0.8 million and \$1.0 million, respectively to these affiliates classified as accounts payable and accrued liabilities on the balance sheets.

### (c) Credit Facility Agreement with TC Continental

On March 31, 2009, the Company executed a revolving credit facility agreement with TC Continental so that the Company could request advances of funds to be used for general corporate purposes and partially fund the project construction costs. The agreement which expired on March 31, 2011, allowed for borrowings up to \$305 million. At December 31, 2011 total interest incurred on this facility amounted to \$2.3 million, of which \$0.2 million was capitalized as part of cost of construction due to the project not being in service until January 14, 2011.

## (7) Line Break Incident

On July 20, 2011, a line break occurred on the pipeline. On August 22, 2011, the US Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) granted the Company permission to return the pipeline to service at a reduced pressure which allowed the Company to deliver approximately 60% of its contracted quantities. The line was repaired and brought back to full service on October 8, 2011.

## (8) Subsequent events

On January 11, 2013, the Management Committee of the Company declared a cash distribution in the amount of \$15.5 million to its members. The distribution was paid on February 1, 2013.

On April 18, 2013, the Management Committee of the Company called for a cash contribution in the amount of \$24.0 million from its members. The contribution was used by the Company to repay its outstanding demand loan payable balance related primarily to original pipeline construction costs, including reclamation and restoration work. The contribution was received from the members on April 30, 2013.

(Continued)

**BISON PIPELINE LLC**

## Notes to Financial Statements

December 31, 2012 and 2011

On April 18, 2013, the Management Committee of the Company declared a cash distribution in the amount of \$12.6 million to its members. The distribution was paid on May 1, 2013.

Management of the Company has reviewed subsequent events through May 13, 2013, the date the financial statements were issued, and concluded there were no events or transactions during this period that would require recognition or disclosure in the financial statements other than those already reflected.

## BISON PIPELINE LLC

Financial statements

March 31, 2013 and 2012

(Unaudited)

## BISON PIPELINE LLC

Balance Sheets

(in thousands)

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash	\$ 50	67
Accounts receivable	6,794	6,801
Prepaid expenses and other	540	179
Materials and supplies	5	5
Total current assets	7,389	7,052
Property, plant, and equipment:		
Natural gas transmission plant	671,000	670,526
Construction work in progress	15	11
Total property, plant and equipment	671,015	670,537
Less: Accumulated depreciation	41,093	36,287
Property, plant and equipment, net	629,922	634,250
Total assets	<u>\$ 637,311</u>	<u>641,302</u>
<b>Liabilities and Members' Capital</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 270	2,145
Demand loan payable to affiliate	17,505	14,913
Accounts payable-affiliate	395	788
Accrued taxes other than income taxes	6,822	6,779
Other	629	295
Total current liabilities	25,621	24,920
Members' capital	611,690	616,382
Total liabilities and members' capital	<u>\$ 637,311</u>	<u>641,302</u>

See accompanying notes to financial statements.

## BISON PIPELINE LLC

Comparative Statements of Income

(in thousands)

Three Months Ended		
March 31,		
2013	2012	
(Unaudited)		

Operating revenues	\$ 19,729	19,940
Operating expenses:		
Operation and maintenance	1,322	1,392
Depreciation and amortization	4,807	4,731
Taxes, other than income	2,784	2,733
Total operating expenses	<u>8,913</u>	<u>8,856</u>
Operating income	<u>10,816</u>	<u>11,084</u>
Other income (expense):		
Interest and debt expense	(21)	(2)
Other	—	(5)
Total other expenses, net	<u>(21)</u>	<u>(7)</u>
Net income to members	<u>\$ 10,795</u>	<u>11,077</u>

See accompanying notes to financial statements.

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### BISON PIPELINE LLC

#### Comparative Statement of Members' Capital

(in thousands)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Members' capital, December 31, 2012 and 2011	\$ 616,382	636,546
Distributions	(15,487)	(15,566)
Net income	10,795	11,077
Members' capital, March 31, 2013 and 2012	<u>\$ 611,690</u>	<u>632,057</u>

See accompanying notes to financial statements.

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### BISON PIPELINE LLC

#### Comparative Statements of Cash Flows

(in thousands)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 10,795	11,077
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,807	4,731
Asset and liability changes:		
Accounts receivable	7	181
Prepaid expenses and other current assets	(362)	105
Accounts payable and accrued liabilities	(59)	(211)
Accrued taxes	43	667
Net cash provided by operating activities	<u>15,231</u>	<u>16,550</u>
Cash flows from investing activities:		
Capital expenditures	(2,352)	(9,993)
Net change in affiliate demand loan	<u>2,591</u>	<u>8,871</u>
Net cash provided by (used in) investing activities	<u>239</u>	<u>(1,122)</u>

Cash flows from financing activity:		
Distributions to members	(15,487)	(15,566)
Net cash used in financing activities	(15,487)	(15,566)
Net change in cash and cash equivalents	(17)	(138)
Cash and cash equivalents, beginning of year	67	293
Cash and cash equivalents, end of year	<u>\$ 50</u>	<u>155</u>

See accompanying notes to financial statements.

**Bison Pipeline LLC**  
**Notes to Financial Statements**  
**(Unaudited)**

**(1) Description of Business**

Bison Pipeline LLC, a Delaware limited liability company (“the Company”), was formed by Northern Border Pipeline Company (Northern Border) on May 27, 2008. On August 29, 2008, Northern Border sold the Company to TC Continental Pipeline Holdings Inc. (TC Continental), a direct wholly owned subsidiary of TransCanada Pipeline USA Ltd and an indirect wholly owned subsidiary of TransCanada Pipelines Limited and TransCanada Corporation. These three entities are individually, or collectively, referred to herein as “TransCanada.” TransCanada Northern Border Inc., an indirect wholly owned subsidiary of TransCanada, is the operator of the Company’s pipeline.

On April 26, 2011, TC Continental and TC Pipelines Intermediate Limited Partnership (“TCILP”) entered into a Purchase and Sale Agreement whereby TCLP acquired from TC Continental a 25% interest in Bison. On May 2, 2011, the acquisition was completed.

The Company owns an interstate natural gas pipeline that transports gas from the Powder River Basin to the Midwest markets (“Bison” or “the pipeline”). The pipeline, which commenced commercial service on January 14, 2011, provides producers in the Powder River Basin with additional natural gas pipeline capacity to access and meet natural gas demand of the Midwest.

Bison consists of approximately 302 miles of 30-inch-diameter natural gas pipeline and related pipeline system facilities that extend northeastward from the Dead Horse Region near Gillette, Wyoming, through southeastern Montana and southwestern North Dakota where it interconnects with the Northern Border pipeline system near its Compressor Station in Morton County, North Dakota.

Bison’s design capacity is approximately 407 million cubic feet per day of natural gas.

**(2) Basis of Presentation**

These unaudited financial statements have been prepared in accordance with interim period reporting requirements. Because this is an interim period, this report does not include all the disclosures required by generally accepted accounting principles. This quarterly report should be read in conjunction with the Company’s 2012 audited financial statements, which includes a summary of the Company’s significant accounting policies and other disclosures. The Company has made all adjustments that are of a normal recurring nature to fairly present its interim period results. Prior year amounts have been reclassified where necessary to conform to the 2013 presentation. Due to the Company’s business, information for interim periods may not be indicative of the Company’s results of operations for the entire year.

**Bison Pipeline LLC**  
**Notes to Financial Statements**  
**(Unaudited)**

**(3) Commitments and Contingencies**

**(a) Environmental Matters**

The Company is not aware of any material contingent liabilities with respect to compliance with applicable environmental laws and regulations.

**(b) Other Commercial Commitments**

The Company had commitments of approximately \$ 1.9 million as at March 31, 2013 in connection with reclamation and restoration work associated with the construction of the pipeline.

**(c) Other**

The Company is from time to time subject to other litigation incidental to its business. The Company is not aware of any contingent liabilities that would have a material adverse effect on the Company’s financial condition, results of operations, or cash flows.



**(4) Transactions with Affiliated Companies**

**(a) Cash Management Program**

The Company participates in TransCanada's cash management program which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. Monies advanced under the agreement are considered to be a loan, accruing interest and repayable on demand. The Company receives interest on monies advanced to TransCanada at the rate of interest earned by TransCanada on its short-term cash investments. The Company pays interest on monies advanced from TransCanada based on TransCanada's short term borrowing costs or commercial paper rate.

At March 31, 2013 and December 31, 2012, the Company had a demand loan payable to TransCanada PipeLine USA Ltd, amounting to \$17.5 million and \$ 14.9 million, respectively. For the three month period ending on March 31, 2013 and 2012, the interest expense associated with the Cash Management Agreement was immaterial to the financial statements.

**(b) Affiliate Expenses**

TransCanada's subsidiaries provide capital, operating and administrative services to the Company. Costs charged to the Company are summarized in the following table in millions of dollars:

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**Bison Pipeline LLC**  
**Notes to Financial Statements**  
**(Unaudited)**

	Three months ending	
	March 31	
	2013	2012
Costs charged by TransCanada's subsidiaries	1.1	1.6
Impact on the Company's net income	1.2	1.0

At March 31, 2013 and December 31, 2012, the Company owed \$0.4 million and \$0.8 million, respectively to these affiliates classified as accounts payable and accrued liabilities on the balance sheets.

**(5) Subsequent events**

On April 18, 2013, the Management Committee of the Company called for a cash contribution in the amount of \$24.0 million from its members. The contribution was used by the Company to repay its outstanding demand loan payable balance related primarily to original pipeline construction costs, including reclamation and restoration work. The contribution was received from the members on April 30, 2013.

On April 18, 2013, the Management Committee of the Company declared a cash distribution in the amount of \$12.6 million to its members. The distribution was paid on May 1, 2013.

Management of the Company has reviewed subsequent events through May 13, 2013, the date the financial statements were issued, and concluded there were no events or transactions during this period that would require recognition or disclosure in the financial statements other than those already reflected.

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### Summary Historical and Unaudited Pro Forma Financial Data

TC PipeLines, LP (the “Partnership”, “we”, “us” or “our”) has derived the summary historical financial data of the Partnership as of and for the three months ended March 31, 2013 and for the years ended December 31, 2012, 2011 and 2010 from our historical financial statements and related notes. The information below should be read in conjunction with our Annual Report on Form 10-K for the years ended December 31, 2012, 2011 and 2010, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and the financial statements for Gas Transmission Northwest LLC (“GTN”) and Bison Pipeline LLC (“Bison”), which are included as Exhibits 99.1, 99.2, 99.3 and 99.4 to this Form 8-K.

On May 15, 2013, we entered into agreements to acquire from subsidiaries of TransCanada Corporation (“TransCanada”) an additional 45 percent interest in each of GTN and Bison for a total transaction value of \$1.05 billion, subject to certain closing adjustments for working capital (the “Acquisition”). The GTN purchase price is \$750 million in cash, less \$146 million, representing 45 percent of GTN’s outstanding debt. The Bison purchase price is \$300 million in cash. The purchase and sale of the interest in GTN is contingent upon the purchase and sale of the interest in Bison and vice versa. Upon the completion of these acquisitions, which is expected to occur in July 2013, we will own a 70 percent interest in each of GTN and Bison.

The unaudited pro forma statement of income adjustments for the years ended December 31, 2012, 2011 and 2010 and for three months ended March 31, 2013 reflect the Acquisition as if the Acquisition had occurred on January 1, 2010. On May 3, 2011, the Partnership acquired 25 percent membership interests in each of GTN and Bison from subsidiaries of TransCanada. The unaudited pro forma statement of income adjustments for the years ended December 31, 2011 and 2010 reflect our acquisition of a 25 percent interest in GTN and a 25 percent interest in Bison from subsidiaries of TransCanada as if it had occurred on January 1, 2010. The unaudited pro forma balance sheet as at March 31, 2013 reflects the Acquisition as if such transaction had occurred on March 31, 2013.

This unaudited pro forma consolidated financial information is presented for informational purposes only and does not purport to represent what the Partnership’s results of operations or financial position would actually have been had the Acquisition and the related financing in fact occurred on the dates specified, nor does the information purport to project the Partnership’s results of operations for any future period or financial position at any future date.

#### TC PipeLines, LP Unaudited Pro Forma Consolidated Balance Sheet

March 31, 2013 (millions of dollars)	TC PipeLines, LP	Pro Forma Adjustments	Pro Forma TC PipeLines, LP
<b>Assets</b>			
Current assets	\$ 10	\$ 69 <sup>1</sup>	\$ 79
Investment in Great Lakes	677	—	677
Investment in Northern Border	507	—	507
Investment in GTN	215	(215) <sup>1</sup>	—
Investment in Bison	157	(157) <sup>1</sup>	—
Plant, property and equipment	283	1,807 <sup>1</sup>	2,090
Goodwill and other assets	135	41,2	139
	<u>\$ 1,984</u>	<u>\$ 1,508</u>	<u>\$ 3,492</u>
<b>Liabilities and Partners’ Equity</b>			
Current liabilities	\$ 10	\$ 50 <sup>1,2</sup>	\$ 60
Other liabilities	2	21 <sup>1</sup>	23
Long-term debt, including current portion	685	897 <sup>1,3</sup>	1,582
Total liabilities	697	968	1,665
Partners’ Equity			
Non-controlling interests	—	447 <sup>1</sup>	447
Common units	1,261	91 <sup>1,2,4</sup>	1,352
General partner	27	21,5	29
Accumulated other comprehensive loss	(1)	—	(1)
Controlling interests	1,287	93	1,380
Partners’ Equity	1,287	540	1,827
	<u>\$ 1,984</u>	<u>\$ 1,508</u>	<u>\$ 3,492</u>

#### TC PipeLines, LP Unaudited Pro Forma Consolidated Statement of Income

Three months ended March 31, 2013 (millions of dollars except per unit amounts)	TC PipeLines, LP	Pro Forma Adjustments	Pro Forma TC PipeLines, LP
Equity earnings from investment in Great Lakes	\$ 2	\$ —	\$ 2
Equity earnings from investment in Northern Border	16	—	16
Equity earnings from investment in GTN	5	(5) <sup>6</sup>	—
Equity earnings from investment in Bison	3	(3) <sup>6</sup>	—
Transmission revenues	17	69 <sup>6</sup>	86
Operating expenses	(4)	(15) <sup>6</sup>	(19)
General and administrative	(2)	—	(2)

Depreciation	(3)	(18) <sup>6</sup>	(21)
Financial charges and other	(5)	(8) <sup>6,7</sup>	(13)
<b>Net income</b>	<b>29</b>	<b>20</b>	<b>49</b>
<b>Net income attributable to Non-Controlling Interests</b>	<b>—</b>	<b>10<sup>6</sup></b>	<b>10</b>
<b>Net income attributable to Controlling Interests</b>	<b>29</b>	<b>10<sup>6</sup></b>	<b>39</b>
<b>Net income attributable to Controlling Interests allocation</b>			
Common units	28	10	38
General partner	1	—	1
	<u>\$ 29</u>	<u>\$ 10</u>	<u>\$ 39</u>
<b>Net income per common unit<sup>8</sup> — basic and diluted</b>	<b>\$ 0.52</b>	<b>\$ 0.62</b>	<b>\$ 0.62</b>
<b>Weighted average common units outstanding (millions) — basic and diluted</b>	<b>53.5</b>	<b>7.7<sup>4</sup></b>	<b>61.2</b>

**TC PipeLines, LP**  
**Unaudited Pro Forma Consolidated Statement of Income**

Year ended December 31, 2012 (millions of dollars except per unit amounts)	TC PipeLines, LP	Pro Forma Adjustments	Pro Forma TC PipeLines, LP
Equity earnings from investment in Great Lakes	\$ 27	\$ —	\$ 27
Equity earnings from investment in Northern Border	72	—	72
Equity earnings from investment in GTN	19	(19) <sup>6</sup>	—
Equity earnings from investment in Bison	11	(11) <sup>6</sup>	—
Transmission revenues	65	278 <sup>6</sup>	343
Operating expenses	(17)	(65) <sup>6</sup>	(82)
General and administrative	(6)	—	(6)
Depreciation	(11)	(73) <sup>6</sup>	(84)
Financial charges and other	(23)	(33) <sup>6,7</sup>	(56)
<b>Net income</b>	<b>137</b>	<b>77</b>	<b>214</b>
<b>Net income attributable to Non-Controlling Interests</b>	<b>—</b>	<b>37<sup>6</sup></b>	<b>37</b>
<b>Net income attributable to Controlling Interests</b>	<b>137</b>	<b>40<sup>6</sup></b>	<b>177</b>
<b>Net income attributable to Controlling Interests allocation</b>			
Common units	134	39	173
General partner	3	1	4
	<u>\$ 137</u>	<u>\$ 40</u>	<u>\$ 177</u>
<b>Net income per common unit<sup>8</sup> — basic and diluted</b>	<b>\$ 2.51</b>	<b>\$ 2.83</b>	<b>\$ 2.83</b>
<b>Weighted average common units outstanding (millions) — basic and diluted</b>	<b>53.5</b>	<b>7.7<sup>4</sup></b>	<b>61.2</b>

**TC PipeLines, LP**  
**Unaudited Pro Forma Consolidated Statement of Income**

Year ended December 31, 2011 (millions of dollars except per unit amounts)	TC PipeLines, LP	Pro Forma Adjustments	Pro Forma TC PipeLines, LP
Equity earnings from investment in Great Lakes	\$ 60	\$ —	\$ 60
Equity earnings from investment in Northern Border	75	—	75
Equity earnings from investment in GTN	12	(12) <sup>6</sup>	—
Equity earnings from investment in Bison	7	(7) <sup>6</sup>	—
Transmission revenues	70	283 <sup>6</sup>	353
Operating expenses	(15)	(69) <sup>6</sup>	(84)
General and administrative	(9)	—	(9)
Depreciation	(15)	(72) <sup>6</sup>	(87)
Financial charges and other	(28)	(34) <sup>6,7</sup>	(62)
<b>Net income</b>	<b>157</b>	<b>89</b>	<b>246</b>
<b>Net income attributable to Non-Controlling Interests</b>	<b>—</b>	<b>37<sup>6</sup></b>	<b>37</b>
<b>Net income attributable to Controlling Interests</b>	<b>157</b>	<b>52<sup>6</sup></b>	<b>209</b>
<b>Net income attributable to Controlling Interests allocation</b>			
Common units	154	51	205
General partner	3	1	4
	<u>\$ 157</u>	<u>\$ 52</u>	<u>\$ 209</u>
<b>Net income per common unit<sup>8</sup> — basic and diluted</b>	<b>\$ 3.02</b>	<b>\$ 3.35</b>	<b>\$ 3.35</b>
<b>Weighted average common units outstanding (millions) — basic and diluted</b>	<b>51.1</b>	<b>10.1<sup>8</sup></b>	<b>61.2</b>

## Unaudited Pro Forma Consolidated Statement of Income

Year ended December 31, 2010 (millions of dollars except per unit amounts)	TC PipeLines, LP	Pro Forma Adjustments	Pro Forma TC PipeLines, LP
Equity earnings from investment in Great Lakes	\$ 59	\$ —	\$ 59
Equity earnings from investment in Northern Border	67	—	67
Equity earnings from investment in GTN	—	—	—
Equity earnings from investment in Bison	—	—	—
Transmission revenues	69	217 <sup>6</sup>	286
Operating expenses	(13)	(52) <sup>6</sup>	(65)
General and administrative	(4)	—	(4)
Depreciation	(15)	(55) <sup>6</sup>	(70)
Financial charges and other	(26)	(40) <sup>6,7</sup>	(66)
<b>Net income</b>	<b>137</b>	<b>70</b>	<b>207</b>
<b>Net income attributable to Non-Controlling Interests</b>	<b>—</b>	<b>26<sup>6</sup></b>	<b>26</b>
<b>Net income attributable to Controlling Interests</b>	<b>137</b>	<b>44<sup>6</sup></b>	<b>181</b>
<b>Net income attributable to Controlling Interests allocation</b>			
Common units	134	43	177
General partner	3	1	4
	<u>\$ 137</u>	<u>\$ 44</u>	<u>\$ 181</u>
<b>Net income per common unit<sup>8</sup> — basic and diluted</b>	<b>\$ 2.91</b>		<b>\$ 2.89</b>
<b>Weighted average common units outstanding (millions) — basic and diluted</b>	<b>46.2</b>	<b>15.0<sup>8</sup></b>	<b>61.2</b>

### Notes to Unaudited Pro Forma Financial Data

#### Note 1. Basis of Presentation

The unaudited pro forma statement of income adjustments for the years ended December 31, 2012, 2011 and 2010 and for three months ended March 31, 2013 reflect our acquisition of a 45 percent interest in GTN and a 45 percent interest in Bison from TransCanada as if the Acquisition had occurred on January 1, 2010. On May 3, 2011, the Partnership acquired 25 percent membership interests in each of GTN and Bison from subsidiaries of TransCanada. The unaudited pro forma statement of income adjustments for the years ended December 31, 2011 and 2010 reflect our acquisition of a 25 percent interest in GTN and a 25 percent interest in Bison from subsidiaries of TransCanada as if it had occurred on January 1, 2010. The unaudited pro forma balance sheet as at March 31, 2013 reflects the Acquisition as if such transaction had occurred on March 31, 2013.

The pro forma adjustments are based upon currently available information and certain estimates and assumptions; therefore, actual adjustments will differ from the pro forma adjustments. Management believes, however, that the assumptions provide a reasonable basis for presenting the significant effects of the Acquisition as contemplated, and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated statement of income and balance sheet.

The unaudited pro forma consolidated statement of income and balance sheet does not give effect to synergies that might result from the Acquisition described above or any non-recurring charges or credits, and related tax effects, directly attributable to the transactions.

This unaudited pro forma consolidated financial information is presented for informational purposes only and does not purport to represent what the Partnership's results of operations or financial position would actually have been had the Acquisition and the related financing in fact occurred on the dates specified, nor does the information purport to project the Partnership's results of operations for any future period or financial position at any future date.

The unaudited pro forma consolidated financial information reflects the Acquisition as follows:

- the assumed issuance of 7,700,000 common units representing limited partner interests in us to finance a portion of the purchase price of the Acquisition;
- the assumed issuance of \$572 million of long-term debt to finance the remaining portion of the purchase price of the Acquisition; and
- the acquisition of an additional 45 percent interest in each of GTN and Bison from TransCanada for a purchase price of \$1.05 billion less \$146 million, representing 45 percent of GTN's outstanding debt.

#### Note 2. Pro Forma Adjustments and Assumptions

- (1) The acquisition of 45 percent equity interests in GTN's and Bison's net assets will be accounted for as transactions between entities under common control, whereby assets and liabilities in GTN and Bison will be recorded at TransCanada's historical carrying values. GTN and Bison would become subsidiaries and would be consolidated. As the fair value paid for the interests in GTN and Bison of \$1.05 billion was in excess of the recorded net assets of GTN and Bison, the excess purchase price at March 31, 2013 of \$234 million would be recorded as a reduction to Partners' equity, representing a \$229 million reduction in the common units equity and a \$5 million reduction in the general partner equity.
- (2) The pro forma adjustment to current liabilities at March 31, 2013 reflects a payable of \$2 million in legal and other costs related to the equity issuance, a \$3 million payable related to the debt issuance, which will be deferred and amortized over the life of the debt, and a \$3 million payable related to acquisition costs. \$3 million related to acquisition costs is not included in expenses.
- (3) The increase to long-term debt reflects the partial financing used to complete the Acquisition. The pro forma adjustment reflects the issuance of \$572 million of long-term debt. The actual issuance of long-term debt may be different from our assumptions.
- (4) The pro forma adjustment to Partners' equity reflects issuance of 7.7 million common units for gross proceeds of \$339 million at an assumed unit price of \$46 per common unit. The pro forma adjustments assume no exercise of underwriters' option to purchase up to an additional 1.2 million units. Net proceeds of \$325 million reflect a four percent underwriting commission. In addition, there would be a reduction of \$229 million as described in footnote 1 and a reduction of \$2 million due to legal and other costs related to the equity issuance and \$3 million payable related to

acquisition costs. The actual common unit price, offering costs and underwriting discounts for the financing of the Acquisition may be different than our assumptions.

- (5) The pro forma adjustment to the general partner's equity includes the general partner's equity contribution of \$7 million to maintain its two percent interest in the Partnership and a reduction of \$5 million as described in footnote 1.
  - (6) The pro forma adjustment reflects the consolidation of GTN and Bison. The consolidation of GTN includes a pro forma adjustment to income for \$1 million and \$40 million for 2011 and 2010, respectively, to reflect the removal of income tax expense from its historic income as a result of changing from a corporation to an LLC on April 1, 2011. A pro forma adjustment was also made to GTN's income statement to eliminate the income recognized from specified rights to non-core assets that had been distributed from GTN prior to the acquisition of a 25 percent interest in GTN. The Partnership's investment in GTN includes an excess of cost over the underlying net assets based on the historical carrying amounts of TransCanada. The amortization of the excess cost over the underlying net assets amounting to \$17 million for 2012, 2011 and 2010, respectively, is included in GTN's income statement.
  - (7) The pro forma adjustment reflects the inclusion of (1) interest expense relating to the issuance of \$572 million of long-term debt for the three months ended March 31, 2013 and years ended December 31, 2012, 2011 and 2010 using the assumed effective interest rate of 2.50 percent per annum and (2) the amortization of the \$3 million debt issuance fee, which is
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assumed to be amortized over 5 years. In addition, financial charges and other would increase due to consolidation of GTN as described in footnote 6. For the years ended December 31, 2011 and 2010, there would be an increase of \$1 million and \$3 million, respectively, for interest expense and for the amortization of commitment fee recognized in relation to the acquisition of a 25 percent interest in GTN and Bison as if it had occurred on January 1, 2010. The effect of a 0.125 percent variance in interest rates on pro forma interest expense would have been approximately \$1 million annually.

- (8) Net income per common unit is computed by dividing net income attributable to Controlling Interests, after deduction of the general partner's allocation, by the weighted average number of common units outstanding. The general partner's allocation is equal to an amount based upon the general partner's two percent interest, plus an amount equal to incentive distributions. The general partner's allocation was based on historical calculations, adjusted for the 7.7 million units as described in footnote 4. In addition, for the years ended December 31, 2011 and 2010, the pro forma adjustment also reflects the issuance of common units to finance the acquisition of a 25 percent interest in GTN and Bison as if it had occurred on January 1, 2010. The audited TC PipeLines LP's weighted average common units outstanding for the year ended December 31, 2011 includes the weighted average common units issued to finance the acquisition of a 25 percent interest in GTN and Bison, therefore the pro forma adjustment is a balancing figure.
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### TC PipeLines, LP Announces \$1.05 Billion Acquisition

HOUSTON, Texas – **May 15, 2013** – TC PipeLines, LP (NYSE: TCP) (the Partnership) today announced it has entered into agreements to acquire an additional 45 percent interest in each of Gas Transmission Northwest LLC (GTN) and Bison Pipeline LLC (Bison) from TransCanada Corporation (TSX, NYSE: TRP) (TransCanada) for an aggregate purchase price of \$1.05 billion increasing the Partnership’s portfolio by approximately one third. The acquisition is expected to be immediately accretive to Partnership cash flows and earnings. As a result, management intends to recommend to the Board of Directors a three cent per unit (3.8 percent) increase to the next quarterly distribution following the close of the transaction.

“This acquisition is the largest transaction in the Partnership’s history and significantly increases the Partnership’s future cash flows and earnings,” said Steve Becker, President of TC PipeLines GP, Inc. “Cash flow predictability and stability are key elements of our investment approach and both GTN and Bison fit this profile.”

The Partnership will increase its interest in the GTN and Bison pipelines from 25 percent to 70 percent which will improve the Partnership’s long-term cash flow stability and predictability by increasing the percentage of total cash flows derived from long-term ship-or-pay contracts. The transaction will also reduce the Partnership’s relative exposure to Great Lakes which is currently experiencing earnings and cash flow variability.

“A transaction of this magnitude demonstrates the attractiveness of the Partnership as a financing vehicle for TransCanada as it continues to advance \$26 billion of commercially secured projects,” continued Becker. “Further dropdown opportunities may arise from TransCanada’s extensive natural gas pipeline portfolio.”

The GTN pipeline system transports Western Canadian and Rocky Mountain natural gas for large utilities, producers and marketers in Washington, Oregon, Nevada and California. The Bison pipeline transports Rocky Mountain natural gas to Midwest markets through a connection with the Partnership’s Northern Border pipeline system. Both the GTN and Bison pipelines are supported by long-term ship-or-pay contracts that extend through the end of the decade.

The aggregate purchase price of \$1.05 billion includes the assumption of \$146 million of GTN’s debt, leaving cash to close of \$904 million subject to certain closing adjustments. The Partnership plans to fund this through a combination of debt and equity in a manner that enables the Partnership to maintain its solid financial position. The transaction is expected to close in July 2013, subject to regulatory approvals and customary closing conditions.

The terms of the transaction were unanimously approved by the Board of Directors of the general partner, based on unanimous approval and recommendation of the Board’s conflicts committee, which is comprised entirely of independent directors. The conflicts committee engaged Citigroup to act as its financial advisor, Orrick, Herrington & Sutcliffe LLP as its legal counsel, and Wood Mackenzie as its natural gas market outlook advisor.

TC PipeLines, LP is a Delaware master limited partnership with interests in 5,560 miles of federally regulated U.S. interstate natural gas pipelines which serve markets across the United States and Eastern Canada. This includes significant interests in Great Lakes Gas Transmission Limited Partnership and Northern Border Pipeline Company as well as 25 percent ownership interest in each of Gas Transmission Northwest LLC, and Bison Pipeline LLC. The Partnership also wholly owns North Baja Pipeline, LLC and Tuscarora Gas Transmission Company. The Partnership is managed by its general partner, TC PipeLines GP, Inc., an indirect wholly-owned subsidiary of TransCanada Corporation (NYSE: TRP). TC PipeLines

GP, Inc. and another TransCanada subsidiary also hold common units of TC PipeLines, LP. For more information about TC PipeLines, LP, visit the Partnership’s website at [www.tcpipelineslp.com](http://www.tcpipelineslp.com).

#### Forward-Looking Statements

This release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements can be identified by words such as “expects,” “intends,” “anticipates,” “plans,” “seeks,” “believes,” “estimates” and other words or expressions of similar reference to future periods. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. As such, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward looking statements include but are not limited to: our ability to identify and complete expansion projects and other accretive growth opportunities; failure to receive the necessary regulatory approval; failure of the acquisition to be immediately accretive to cash per common unit generated from operations; timing of the completion of the acquisition; changes to management’s plans and objectives; demand for natural gas; availability and location of natural gas supplies in the United States and Canada; natural gas prices and regional differences; increases in operational or compliance costs resulting from changes in environmental and other regulations affecting our pipeline systems; weather conditions; the outcome of rate proceedings; and changes in taxation of master limited partnerships. Any forward-looking statement made in this release speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may occur from time-to-time and it is not possible to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

