

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)

November 5, 2015

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.)

700 Louisiana Street, Suite 700
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.

On November 5, 2015, TC PipeLines Intermediate Limited Partnership (“TCILP”), a direct subsidiary of TC PipeLines, LP (the “Partnership”) entered into a purchase and sale agreement (the “Purchase Agreement”) with TCPL Portland Inc. (“TCPL Portland”). Pursuant to the Purchase Agreement, TCILP will acquire a 49.9 percent equity interest in the Portland Natural Gas Transmission System (“PNGTS”) from TCPL Portland for \$223 million, subject to certain working capital closing adjustments (the “Acquisition”). The consideration for the Acquisition is comprised of approximately \$188 million in cash and the assumption of approximately \$35 million in proportionate PNGTS debt.

The Purchase Agreement (i) provides for additional payments to TCPL Portland ranging from \$5 million up to a total of \$50 million if pipeline capacity is expanded to certain thresholds during the fifteen year period following the date of closing and (ii) contains customary representations and warranties, covenants and indemnification obligations by the parties.

The transaction is expected to close at the end of 2015, subject to customary closing conditions.

TransCanada Corporation (“TransCanada”) is the ultimate parent company of TC PipeLines GP, Inc. (the “General Partner”), which is the general partner of the Partnership. The General Partner and the Partnership collectively own 100% of the equity interests in TCILP. TransCanada, through its subsidiaries, will retain an 11.81% interest in PNGTS following the Acquisition.

The purchase price was negotiated between the Partnership and TransCanada. The Conflicts Committee of the Board of Directors of the General Partner (the “Conflicts Committee”), 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 unanimously approved the Purchase Agreement and the terms of the Acquisition.

The foregoing description of the Purchase Agreement is qualified in its entirety by reference to the Purchase Agreement, a copy of which is filed as Exhibit 2.1 to this Form 8-K, and is incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition.

On November 6, 2015, TC PipeLines, LP (the “Partnership”) issued a news release (the “news release”) announcing its financial results for the quarter ended September 30, 2015. A copy of the news release is furnished as Exhibit 99.1 to this report and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

The disclosure contained in Item 2.02 of this report is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
10.1	Agreement for Purchase and Sale of Partnership Interest, dated as of November 5, 2015 by and between TCPL Portland Inc., as Seller, and TC PipeLines Intermediate Limited Partnership, as Buyer.*
99.1	News Release of TC PipeLines, LP, dated November 6, 2015.

*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.

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/ Jon Dobson
Jon Dobson
Secretary

Dated: November 6, 2015

EXHIBIT INDEX

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AGREEMENT FOR PURCHASE AND SALE

OF

PARTNERSHIP INTEREST

by and between

TCPL PORTLAND INC., as SELLER

and

TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP, as BUYER

November 5, 2015

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Appendix A: Definitions

- Exhibit A: Form of Closing Tax Certificate
- Exhibit B: Form of Assignment and Assumption Agreement
- Exhibit C: PNGTS Budget
- Exhibit D: Promissory Note
- Exhibit E: Expansion Consideration
- Exhibit F: Parent Guaranty

Schedules: Schedules to Agreement

**AGREEMENT FOR PURCHASE AND SALE
OF
PARTNERSHIP INTEREST**

THIS AGREEMENT FOR PURCHASE AND SALE OF PARTNERSHIP INTEREST (this "Agreement"), is executed as of this 5th day of November, 2015, by and between TCPL PORTLAND 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."

WITNESSETH:

WHEREAS, Seller owns a 61.71% partnership interest, in Portland Natural Gas Transmission System, a Maine general partnership ("PNGTS");

WHEREAS, Buyer desires to purchase and acquire, and Seller desires to sell and assign, a 49.9% partnership interest in PNGTS (the "PNGTS Interest") pursuant to the terms and conditions set forth in this Agreement;

WHEREAS, Buyer is an indirectly wholly owned subsidiary of TC PipeLines, LP ("MLP").

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 PNGTS 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 PNGTS Interest.

Section 1.02 Purchase Price.

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

Section 1.03 Purchase Price Adjustments.

(a) Working Capital Adjustments:

(i) 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

(ii) amounts set forth therein, which reflects the Working Capital as of the Effective Time for PNGTS. 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 and information relating to PNGTS during normal business hours, as may be reasonably requested from time to time by Buyer or its representatives.

(iii) 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, the Parties 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 the Parties 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, the Parties 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 with respect to the remaining amounts disputed. The Independent Accounting Firm shall only resolve the disputed amounts by choosing the amounts submitted by Buyer or Seller or amounts in between. 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).

(iv) Within five (5) Business Days after the earliest to occur of (i) a mutual written agreement of the Parties 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 Time exceeds the Estimated Working Capital, Buyer shall pay Seller 49.9% of the amount of such excess, and (B) if Working Capital as of the Effective Time is less than the Estimated Working Capital, Seller shall pay to Buyer 49.9% 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 Time 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.

(b) Expansion Consideration:

(i) as additional consideration for the sale of the PNGTS Interest, Seller shall be entitled to receive from the Buyer (subject to the terms and conditions of this Section 1.03(b)) cash determined in accordance with Exhibit E.

(ii) In the event an Expansion results in an increase to PNGTS' FERC Certificated Capacity to an amount stated on Exhibit E, then upon commencement of service of such Expansion that results in such increase, Buyer shall pay, by wire transfer on the first Business Day of the first quarter following such commencement of service, the appropriate Expansion Consideration as more particularly described in Exhibit E hereto.

(iii) The Parties acknowledge and agree that there can be more than one Expansion and, accordingly, more than one payment of Expansion Consideration.

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 Vinson & Elkins L.L.P., 1001 Fannin Street, Suite 2500, Houston, TX 77002-6760 at 10:00 a.m., local time, on January 1, 2016 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 Time 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 (3rd) Business Day prior to Closing, Seller shall deliver to Buyer a statement (the "Closing Statement") setting forth the Estimated Working Capital. 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 D 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) amendment to Schedule A and Appendix B of the PNGTS Partnership Agreement to add the Buyer as a party;

(c) a properly completed and an executed certificate of non-foreign status satisfying the requirements of Treasury Regulation Section 1.1445-2(b)(2) with respect to Seller (substantially in the form attached hereto as Exhibit A);

(d) a properly completed and executed IRS Form W-9 with respect to Seller;

(e) evidence satisfactory to the Buyer acting reasonably of the receipt of the consents described on Schedule 2.03(b); 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, or its designate, the following:

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

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

(c) any documents required to be delivered at Closing pursuant to the Debt Documents, including the Debt Service Reserve Backup Guaranty and any guarantees for debt service reserve accounts or other acceptable assurances required thereunder;

(d) any documents to be delivered pursuant to Section 9.1.4 of the PNGTS Partnership Agreement; 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.

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, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

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 2.02 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 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, forfeiture 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, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 2.03(b), 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 2.03 Ownership and Delivery of the PNGTS Interest.

Seller is the legal and beneficial owner of the PNGTS Interest. Except as set forth on Schedule 2.04, at the Closing, Seller will transfer good and valid title to the PNGTS Interest to Buyer, free and clear of any and all Liens. Except as expressly provided in the PNGTS Partnership Agreement, to Seller's Knowledge, there are (i) no authorized or outstanding subscriptions, warrants, options, convertible securities or other rights (contingent or otherwise) to purchase or otherwise acquire from PNGTS any equity interests of or in PNGTS, (ii) no commitments on the part of PNGTS to issue membership interests, shares, subscriptions, warrants, options, convertible securities or other similar rights, and (iii) no equity securities of PNGTS reserved for issuance for any such purpose. PNGTS has no obligation (contingent or other) to purchase, redeem or otherwise acquire any of its equity securities or interests. Except as expressly provided in the PNGTS Partnership Agreement and in this Agreement, there is no voting trust or agreement, stockholders agreement, pledge agreement, buy-sell agreement, right of first refusal, preemptive right or proxy relating to any equity securities of PNGTS. There are no outstanding subscriptions, options, warrants, calls, rights, commitments, arrangements, understandings or agreements of any character affecting Seller's right to transfer the PNGTS Interest as contemplated herein. The PNGTS Interest has been duly authorized and are validly issued, fully paid and nonassessable.

Section 2.04 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 PNGTS could be liable or that could result in any Lien on the PNGTS Interest.

Section 2.05 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 2.06 Absence of Certain Changes.

Except as set forth on Schedule 2.07, since September 30, 2015 and the date hereof: (a) PNGTS 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, which are not Material); (b) PNGTS 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.

PNGTS Organization and Qualification.

PNGTS (a) is a general partnership duly organized, validly existing and in good standing under the laws of the State of Maine, (b) has all requisite general partnership power and authority to own and operate its business as presently conducted and (c) is duly qualified as a foreign general partnership 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. Seller has made available to Buyer true and complete copies of the organizational documents of PNGTS as in effect as of the date of this Agreement.

Section 2.07 No Subsidiaries.

(a) PNGTS owns a 99% equity interest in PNGTS Operating Co., LLC (“OpCo”). PNGTS does not own any equity interest in any other Person.

(b) Neither PNGTS nor OpCo is 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 Maine Uniform Partnership Act.

Section 2.08 Consolidated Financial Statements.

Copies of the unaudited consolidated financial statements of PNGTS as at September 30, 2015 are attached as Schedule 2.10 (the “Financial Statements”). The Financial Statements fairly present in all Material respects the consolidated financial position of PNGTS as of the date specified therein, and the results of its consolidated operations for the respective period so specified, and have been prepared in accordance with GAAP consistently applied throughout the period involved, provided however that these unaudited Financial Statements are subject to normal and recurring year-end adjustments and do not contain all of the footnotes and schedules contained in audited financial statements. There are no Material off balance sheet arrangements of PNGTS.

Section 2.09 Litigation; Observance of Orders.

(a) Except as set forth on Schedule 2.11(a), there are no Material actions, suits or proceedings pending or, to the Knowledge of Seller, threatened against PNGTS or OpCo in any court or before any arbitrator of any kind or before or by any Governmental Authority.

(b) Except as set forth on Schedule 2.11(a), PNGTS is not in Material default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority.

Section 2.10 Tax

Except as set forth in Schedule 2.12:

all Material Tax Returns required to be filed by PNGTS 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;

- (a) such Tax Returns are or will be true, correct and complete in all Material respects, and all Taxes reported on such Tax Returns and all Taxes owed by PNGTS or for which PNGTS may be liable have been or will be timely paid;
- (b) PNGTS has not extended or waived the application of any statute of limitations of any jurisdiction regarding the assessment or collection of any Tax;
- (c) there are no audits, claims, assessments, levies, administrative proceedings, or lawsuits pending, or to the Knowledge of Seller, threatened against PNGTS by any taxing authority and PNGTS has not received any written notices from any taxing authority relating to any issue which could have a Material effect on the Tax liability of PNGTS after the Closing Date;
- (d) no claim has ever been made by any taxing authority in a jurisdiction where PNGTS does not file Tax Returns that it is or may be subject to taxation in that jurisdiction;
- (e) there are no Liens for Taxes (other than Permitted Encumbrances) upon the assets of PNGTS;
- (f) none of the assets of PNGTS, directly or indirectly, secures any debt the interest on which is tax exempt under Section 103(a) of the Code;
- (g) 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;
- (h) all Taxes which PNGTS 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;
- (i) there are no Tax sharing, allocation, indemnification or similar agreements in effect as between PNGTS, 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 PNGTS could be liable for any Taxes of any such party for any periods or portions thereof after the Closing Date;
- (j) PNGTS does not have any liability for the Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any corresponding provisions of state, local or foreign Tax law), or as a transferee or successor, by contract or otherwise;
- (k) PNGTS 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

(l) under Section 481 of the Code or any similar provision of the Code or the corresponding tax laws of any nation, state or locality;

(m) PNGTS has not entered into any agreement or arrangement with any taxing authority that requires it to take any action or to refrain from taking any action and PNGTS is not a party to any agreement with any taxing authority that would be terminated or adversely affected as a result of the transactions contemplated by this Agreement;

(n) PNGTS has not participated in any “reportable transaction” within the meaning of Treasury Regulations Section 1.6011-4(b) (and all predecessor regulations); and

(o) PNGTS is, and has been since inception, properly classified as a partnership for U.S. federal income tax purposes. PNGTS has a valid Section 754 election in effect with respect to its taxable year that includes the Closing Date.

Section 2.11 Title to Real and Personal Property.

Except as set forth in Schedule 2.13, PNGTS has good title in fee simple to, or has valid and enforceable 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 PNGTS or (b) constitute Permitted Encumbrances.

Section 2.12 Permits; Intellectual Property.

(a) PNGTS 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 PNGTS Pipeline and (ii) for the conduct of the Business, except in each case where the failure to own or possess the same would not reasonably be expected to have a Material Adverse Effect. PNGTS 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) PNGTS has made all declarations and filings with the appropriate Governmental Authorities that are necessary for the ownership, maintenance or lease of its 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. To Seller’s Knowledge, PNGTS has complied with all terms and conditions of the Permits, except as would not reasonably be expected to have a Material Adverse Effect, and no proceeding is pending or threatened with respect to any alleged failure by PNGTS to have any Material Permit necessary for the conduct of the Business.

Section 2.13 Condition of Assets.

(a) The PNGTS Pipeline and all other tangible Material property owned by PNGTS have been maintained in all Material respects to prevailing industry standards for similar

(b) assets and, except as set forth on Schedule 2.15(a), are in satisfactory operating condition and repair, ordinary wear and tear excepted.

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

Section 2.14 Employee Matters.

(a) PNGTS does not have any employees, and there are no employee or employee-benefit related liabilities, including plans subject to ERISA, to which PNGTS is subject.

(a) 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 2.15 No Violation or Default.

Except as set forth on Schedule 2.17, to the Knowledge of Seller, PNGTS is not (a) in violation of the PNGTS Partnership Agreement; (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 PNGTS 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, individually or in the aggregate, 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 2.16 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 either PNGTS or OpCo is a party or by which either PNGTS or OpCo is bound or to which any of their respective properties or assets are subject. The Material Agreements have been duly authorized, executed and delivered by PNGTS or OpCo as applicable and constitute valid and legally binding agreements of PNGTS or OpCo, as the case may be, enforceable against PNGTS or OpCo 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). To Seller's Knowledge, none of PNGTS or OpCo or any applicable counterparty thereto is in breach or default of any Material Agreement.

Section 2.17 Insurance.

Schedule 2.19 sets forth a list of the Material insurance policies that PNGTS holds with respect to PNGTS and the PNGTS Interests. PNGTS has insurance with Reputable Insurers covering its properties against loss or damage of the kinds customarily insured against by companies similarly situated in the industry in which PNGTS conducts the Business, in such amounts and with such deductibles as is customary of similarly situated companies and PNGTS 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. Such policies are in full force and effect, and all premiums due and payable under such policies have been paid. PNGTS has received no written notice of any pending or threatened termination of, or indication of an intention not to renew, such policies.

Section 2.18 Compliance With Environmental Laws.

Except as set forth on Schedule 2.20, PNGTS; (a) has been and is currently 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 own, operate, and maintain the PNGTS Pipeline and to otherwise conduct the Business; (c) has not been the subject of any outstanding notice, order, agreement or judgment from a Governmental Authority under applicable Environmental Laws requiring remediation or payment of a fine; 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 any Permit required under any Environmental Law; and (e) has not received any written notice of any actual or potential liability in connection with any release or threatened release into the environment of any Hazardous Material, 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 PNGTS which would subject PNGTS or such property to any remedial obligations or liabilities.

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 either PNGTS or OpCo is a party, (ii) by which PNGTS or OpCo or any of their respective assets or properties are bound or affected or (iii) pursuant to which either PNGTS or OpCo is entitled to any rights or benefits, except for such Violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 2.21(b), 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 PNGTS 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 2.19 Intercompany Matters.

Except for the Transaction Documents or as set forth in Schedule 2.22, there are no intercompany contracts or other arrangements between PNGTS, on the one hand, and Seller or its other Affiliates, on the other hand, that (a) cannot be terminated by PNGTS upon notice of thirty (30) days or less and (b) would subject PNGTS to any obligations or liabilities, or otherwise bind PNGTS 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 limited partnership 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 limited partnership 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 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 to which Buyer is a party 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 to which it is a party, 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) 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 PNGTS 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 PNGTS 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 PNGTS Interest in violation of the Securities Act. Buyer acknowledges that the PNGTS 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 PNGTS Interest, PNGTS, the Business or any matter or thing affecting or relating to PNGTS 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 PNGTS Interest, PNGTS 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 PNGTS 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, PNGTS or any of their respective Affiliates.

Conduct of the Business Pending the Closing Date.

(a) Except as required or permitted by this Agreement, as set forth on Schedule 4.03, 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, to the extent possible having regard to the provisions of the PNGTS Partnership Agreement, cause PNGTS 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 (i) file an election to have PNGTS classified as an association taxable as a corporation for U.S. federal, state or local income tax purposes or change any Tax election or Tax method of accounting or make any new Tax election or adopt any new Tax method of accounting, (ii) make any settlement of or compromise any Tax liability, (iii) surrender any right to claim a refund of Taxes, (iv) consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment, or (v) take any other action outside the ordinary course of business that would have the effect of increasing the Tax liability of PNGTS or its direct or indirect owners for any period after the Closing Date; 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 4.03 [INTENTIONALLY OMITTED]

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 all filings and notifications with all Governmental Authorities, if any, 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 foregoing.

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 4.07 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.

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.

(b) Delivery of Closing Documents. Buyer shall have delivered to Seller each of the agreements and documents specified in Section 1.07.

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(b).
- (d) Delivery of Closing Documents. Seller shall have delivered to Buyer each of the agreements and documents specified in Section 1.06.

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 the representations and warranties of the Parties set forth in (a) Section 2.12 (Tax) (and the indemnification obligations of the Parties with respect thereto) shall expire after all applicable statutes of limitation (giving effect to any waiver, mitigation or extension thereof), and (b) 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 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 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 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 and its 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 (including, solely with respect to the representations and warranties contained in Section 2.12(o), their direct or indirect owners) in connection with (i) 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, (ii) any claim based upon, resulting from or arising out of the Business or obligations of PNGTS conducted, existing or arising on or prior to the Closing Date and (iii) any and all Seller Taxes.

(b) Subject to the terms and conditions of this Agreement, any Loss and Expense suffered by the Buyer Indemnified Parties (including, solely with respect to the representations and warranties contained in Section 2.12(o), their direct or indirect owners) for which the Buyer Indemnified Parties (including, solely with respect to the representations and warranties contained in Section 2.12(o), their direct or indirect owners) 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

(b) 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.

(c) 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.

(d) 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

(b) 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 applicable 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 (A) resulting from or arising out of a breach of an Identified Representation, or (B) relating to any and all Seller Taxes.

(c) 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, such Indemnified Party may only, consistent with the limitations set forth herein, recover such Loss and Expense one time.

(d) 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 an Identified Representation, in which case the maximum aggregate liability of Seller to the applicable 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 Taxes, in which case the maximum aggregate liability of Seller to the applicable Buyer Indemnified Parties (including, solely with respect to the representations and warranties contained in Section 2.12(o), their direct or indirect owners) shall not be limited.

(e) Adjustment for Tax Benefit and Insurance Coverage. The Parties shall make all appropriate adjustments for net 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 net Tax benefits and insurance proceeds recovered by the Indemnified Party, taking into account any Tax costs (or reduction in Tax benefits) resulting from the indemnity payments and insurance proceeds.

(f) Certain Matters Affecting Indemnification. Notwithstanding anything to the contrary set forth herein, for purposes of determining the amount of the Losses and Expenses resulting from a breach or inaccuracy of a representation, warranty, covenant or agreement of either Party (but not for purposes of determining the existence of such inaccuracy), any “Material”, “materiality” or “Material Adverse Effect” qualifier or words of similar import contained in such representation, warranty, covenant or agreement giving rise to the claim of indemnity hereunder shall in each case be disregarded and without effect (as if such standard or qualification were deleted from such representation, warranty, covenant or agreement).

Section 6.06 Exclusive Remedy.

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) a breach of the covenant contained in Section 9.05; or (ii) 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.

Section 6.08 Purchase Price Adjustment.

For all Tax purposes, the Parties agree to treat (and will cause each of their respective Affiliates to treat) (a) any indemnification payment made under this Article VI and (b) any adjustment pursuant to Section 1.3 as an adjustment to the Purchase Price.

ARTICLE VII

TAX MATTERS

Section 7.01 Tax Returns; Payment of Taxes.

(a) Pre-Closing Tax Returns. Seller shall prepare or cause to be prepared all Tax Returns of PNGTS for all Pre-Closing Periods and Straddle Periods ("Pre-Closing Tax Returns"). Such Tax Returns shall be prepared on a basis consistent with past practice except to the extent otherwise required by Applicable Law. Not later than thirty (30) days prior to the due date for filing any such Tax Return Seller shall deliver a copy of such Tax Return, together with all supporting documentation and workpapers, to Buyer for its review and reasonable comment. Seller will cause such Tax Return (as revised to incorporate Buyer's reasonable comments) to be timely filed and will provide a copy to Seller. Not later than five days prior to the due date for payment of Taxes with respect to any Pre-Closing Tax Return, Seller shall pay to Buyer the amount of any Seller Taxes with respect to such Tax Return.

(b) Proration of Straddle Period Taxes. In the case of Taxes that are payable with respect to any Straddle Period, the portion of any such Taxes that is attributable to the portion of the period ending on the Closing Date shall be:

- (i) in the case of Income Taxes, Seller shall be liable for an amount equal to the amount that would be payable if the taxable year ended on the Closing Date; and
- (ii) in the case of Taxes other than Income Taxes, Seller shall be liable for an amount equal to the amount of such Taxes multiplied by a fraction the numerator of which is the number of calendar days in the period ending on and including the Closing Date and the

(iii) denominator of which is the number of calendar days in the Straddle Period.

(c) Buyer shall not file an amended Tax Return for PNGTS for any period ending on or prior to 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; Cooperation.

(a) Seller, or the Seller's representative, at its sole expense, shall have the authority to represent the interests of PNGTS with respect to any inquiries, claims, assessments, audits or similar events (each, a "Tax Matter") relating to any Pre-Closing Period 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 owners), PNGTS or any Affiliate of the foregoing for any period ending after the Closing Date, including the portion of any Straddle Period, which begins on and ends after the Closing Date, 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. Notwithstanding the above, the control and conduct of any Tax Matter that is a Third Party Claim shall be governed by Section 6.04(c).

(b) Except as otherwise provided in this Article VII, from and after the Closing, Tax Matters will be handled in accordance with the PNGTS Partnership Agreement.

(c) Buyer and Seller shall cooperate fully as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns and any Tax Matter. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such Tax Return or Tax Matter and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Seller further agrees, upon request, to use

(d) commercially reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed on Buyer or PNGTS (including, but not limited to, with respect to the transactions contemplated hereby).

Section 7.04 Seller Taxes.

“Seller Taxes” means any and all Loss and Expense suffered or incurred by any of the Buyer Indemnified Parties (including, solely with respect to the representations and warranties contained in Section 2.12(o), their direct or indirect owners) with respect to any and all: (i) breaches of any representation or warranty made pursuant to Section 2.12 of this Agreement as of the Closing Date (determined without regard to any materiality, Materiality, or Knowledge or similar qualifiers or any scheduled items) or covenants set forth in this Article VII; (ii) Taxes imposed on or asserted against the properties, income or operations of PNGTS or for which PNGTS may otherwise be liable, for all Pre-Closing Periods or Straddle Periods ending on the Closing Date (determined in accordance with Section 7.01(b)); (iii) Taxes, except for Transfer Taxes which are the responsibility of Buyer pursuant to Section 7.02, imposed on PNGTS or for which PNGTS may be liable, as a result of any transaction contemplated by this Agreement; (iv) Taxes imposed on PNGTS as a result of the provisions of Treasury Regulations Section 1.1502-6 or the analogous provisions of any state, local or foreign law) or the Taxes of any other Person for which PNGTS is or has been liable as a transferee or successor, by contract or otherwise; and (v) Income Taxes for which PNGTS is liable as a result of any election for PNGTS to be treated as other than a partnership for U.S. federal, state or local income tax purposes that is filed at any time on or prior to the Closing Date (other than any election by or at the behest of Buyer); provided, however, that no such Tax shall constitute a Seller Tax to the extent such Tax was included as a Current Liability in the determination of Working Capital. For the avoidance of doubt, the determination of Seller Taxes shall take into account the fact that Buyer is only acquiring a 49.9% interest in PNGTS.

Section 7.05 Tax Refunds.

To the extent PNGTS receives any refund of Taxes with respect to any Pre-Closing Period or Straddle Period, Buyer shall pay Seller within ten (10) Business Days 49.9% of the amount of such refund of Taxes; provided, however that no refund of Taxes shall be payable to Seller to the extent such refund was included as a Current Asset in the determination of Working Capital. All other Tax refunds attributable to PNGTS shall be the property of PNGTS.

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 the Parties;

(c) by either Party by written notice to the other Party if the Closing shall not have occurred before March 31, 2016; provided, that the right to terminate this Agreement

(d) 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

(b) by either Party 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 have 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 the Parties.

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 Seller to: TCPL Portland Inc.
700 Louisiana Street
Suite 700
Houston, Texas 77002-2761
Attention: Corporate Secretary
Fax: (832) 320-6201

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

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

If to Buyer to:

TC PipeLines Intermediate Limited Partnership
c/o TC PipeLines GP, Inc.
700 Louisiana Street
Suite 700
Houston, TX 77002-2873
Attention: President
Fax: (832) 320-6488

with a copy (which shall not constitute notice) to:
Gillian Hobson
Vinson & Elkins LLP
1001 Fannin Street, Suite 2500, Houston, TX 77002-6760
Fax: (713) 615-5794

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 the Parties 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 (5th) Business Day prior to the Closing, the Parties 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, the Parties 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.

Section 9.09 Choice of Law.

This Agreement shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware, without giving effect to the conflicts of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

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.

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 unless such damages are awarded to a third party in connection with a Third Party Claim.

Section 9.16 Parent Guaranty. Contemporaneous with the execution of this Agreement, Seller shall cause to be delivered to Buyer the Parent Guaranty in the form attached hereto as Exhibit F duly executed by TransCanada PipeLine USA Ltd.

Section 9.17 Time of Essence.

Section 9.18 Time is of the essence under this Agreement.

Section 9.19 Defined Terms.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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.

TCPL PORTLAND INC.

By: /s/Laura M. Heckman
Name: Laura M. Heckman
Title: Vice President

By: /s/Brandon M. Anderson
Name: Brandon M. Anderson
Title: President

**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/Jon A. Dobson
Name: Jon A. Dobson
Title: Secretary

[Signature Page to Purchase Agreement]

SIGNATURE PAGE

APPENDIX A

DEFINITIONS

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

“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 Two Hundred Twenty Three million dollars (\$223,000,000) less 49.9% of all current and long term debt under the Debt Documents at Closing.

“Business” means PNGTS’ business of constructing, owning and operating the PNGTS 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.

“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, as calculated under the consolidated unaudited financial statements of PNGTS, the aggregate of (i) cash, (ii) accounts receivable, (iii) accounts receivable and advances receivable from affiliated companies, (iv) plant material and operating supplies, and (v) prepayments; but excluding deferred Income Tax assets.

“Current Liabilities” means, as calculated under the consolidated unaudited financial statements of PNGTS, the aggregate of (i) accounts payable, (ii) payables and advances to affiliated companies, (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, deferred Income Tax liabilities or the current portion of long term debt.

“Debt Documents” means the Note Purchase Agreement and all related agreements thereto, including any debt service guarantees, security agreements and collateral agency agreements.

“Debt Service Reserve Backup Guaranty” means either (i) a guarantee to be provided by the MLP to the “Collateral Agent” under the Debt Documents in substantially similar form to the existing “Debt Service Reserve Guaranty” currently provided by TransCanada PipeLines Limited under the Debt Documents or (ii) such other document mutually satisfactory to both Seller and Buyer, wherein the MLP provides a guarantee, indemnity or other arrangement having the effect of a guarantee, to TransCanada PipeLines Limited in support of PNGTS’s and TransCanada PipeLines Limited’s obligations under the Debt Documents, with such guarantee, indemnity or other arrangement covering an amount equal to Buyer’s pro rata 49.9% interest of the “Debt Service Reserve Requirement”, as such term is defined in the Debt Documents; provided however, that in the event Buyer is unable to effect a guarantee or other document under clauses (i) or (ii), then the “Debt Service Reserve Backup Guaranty” shall mean sufficient funds or a “Debt Service Reserve Letter of Credit” to be provided by Buyer to the Collateral Agent sufficient to satisfy the Buyer’s 49.9% pro rata interest of the “Debt Service Reserve Requirement,” as such terms are defined in the Debt Documents.

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

“Effective Time” means 12:01 am Central Standard Time on the Closing Date.

Appendix A

“Environmental Laws” means any foreign, federal, state or local law, statute, ordinance, order, decree, judgment, code, rule or regulation, permit, or other legally enforceable requirement and rule of common law 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 to toxic, hazardous or other controlled, prohibited or regulated substances; to health or safety in the workplace; and to the protection of the environment and natural resources, 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. 1501 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 49.9% 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 49.9% of the amount of the deficiency.

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

“Expansion” means the construction and bringing into service of new or incremental pipeline facilities as described below and having the effect of increasing PNGTS’ FERC Certificated Capacity.

An “Expansion” between 270,000 dth/d and 330,000 dth/d will:

- a) Incorporate the addition or material alteration of pipeline compressor facilities on either PNGTS or TQ&M, as applicable,
- b) Receive the approval of the Board of Directors of the General Partner;

and

- c) Occur within 15 years of the Closing Date.

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d) An “Expansion” between 331,000 dth/day and 400,000 dth/day will:

- a) Incorporate the addition or material alteration of pipeline compressor facilities and/or more than five miles of pipeline looping on either or both of PNGTS or TQ&M;
- b) Receive the approval of the Board of Directors of the General Partner;

and

- c) Occur within 15 years of the Closing Date.

An “Expansion” above 400,000 dth/day will:

- a) Incorporate the addition or material alteration of pipeline compressor facilities and/or more than five miles of pipeline looping on any or all of PNGTS, TQ&M and the TransCanada Mainline;
- b) Receive the approval of the Board of Directors of the General Partner;

and

- c) Occur within 15 years of the Closing Date.

“Expansion Consideration” means the consideration to be paid by Buyer to Seller with respect to an Expansion, as more particularly described in Exhibit E hereto.

“FERC” means the Federal Energy Regulatory Commission and any successor entity thereto.

“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.

“General Partner” means TC PipeLines GP, Inc., the general partner of MLP.

“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, arbitrator, tribunal, or individual having adjudicative, regulatory, judicial, quasi-judicial, administrative, or similar functions.

“Hazardous Material” means any substance, waste, pollutant, contaminant or material subject to regulation under any Environmental Law, including petroleum or petroleum products and any fractions thereof, and natural or synthetic gas.

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

Appendix A

“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.

“Knowledge” means the actual knowledge of Don Bell and Lauri Newton after reasonable inquiry and investigation of those persons employed by Seller whom such individuals reasonably believe in good faith to be generally responsible for the information, facts, or events with respect to which such representation applies.

“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(a).

“Material” means material in relation to the business or operations of PNGTS, 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 PNGTS, 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 PNGTS operates not having a materially disproportionate affect on PNGTS 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 PNGTS 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 PNGTS as compared to other participants in the industries or markets in which PNGTS operates, (v) changes in GAAP, (vi) changes in Applicable Laws not disproportionately affecting PNGTS as compared to other participants in the industries or markets in which PNGTS 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

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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.

“MLP” has the meaning set forth in the recitals.

“Note Purchase Agreement” means the note purchase agreement dated as of April 10, 2003 between PNGTS as issuer and the “Initial Noteholders” thereto.

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

“PNGTS’ FERC Certificated Capacity” means the capability of PNGTS to transport quantities of natural gas at East Hereford, Maine on a given day, based on a specific set of flowing parameters (e.g. operating pressures, temperature, etc.) as stated in the Exhibits G through-G-II filed with the FERC in support of PNGTS’s certificate(s) of public convenience and necessity and the Forms 567 filed annual with the FERC. Such certificated capacity represents a minimum level of service that can be maintained over an extended period of time and does not represent the maximum throughput capability of PNGTS on any given day.

“PNGTS Partnership Agreement” means that certain Amended and Restated General Partnership Agreement of PNGTS dated as of March 1, 1996, as amended.

“PNGTS” has the meaning set forth in the recitals.

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

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

“PNGTS Pipeline” means, collectively with all associated laterals and meter stations, a natural gas pipeline system extending between East Hereford, Maine and Dracut, Massachusetts, consisting of the PNGTS pipeline, plus any expansions or improvements undertaken, in whole or in part, by PNGTS.

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

“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

Appendix A

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 its successors and assigns, (iv) Liens for current 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.

"Pre-Closing Period" means any Tax period ending on or before the Closing Date.

"Pre-Closing Tax Return" has the meaning set forth in Section 7.01(a).

"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 One Million Nine Hundred Eighty Five Thousand Seven Hundred Forty Nine dollars (\$1,985,749).

"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).

"Seller Taxes" has the meaning set forth in Section 7.04.

"Straddle Period" means any Tax period beginning on or before and ending after the Closing Date.

"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, unclaimed property or escheat obligations 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, declaration, report, claim for refund, statement, information or other document, including any schedule or attachment thereto and including 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 Governmental Authority 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).

“TQ&M” means the Trans-Quebec and Maritimes Pipeline System partly owned by an Affiliate of Seller.

“Transaction Agreements” means this Agreement, 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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Appendix A



NewsRelease

TC PipeLines, LP Announces 2015 Third Quarter Financial Results Agrees to purchase a 49.9% interest in Portland Natural Gas Transmission from TransCanada

Houston, Texas – **November 6, 2015** – TC PipeLines, LP (NYSE: TCP) (the Partnership) today reported third quarter 2015 distributable cash flow of \$68 million and net income attributable to controlling interests of \$49 million.

“We are very pleased to announce that the Partnership has agreed to acquire a 49.9 percent interest in Portland Natural Gas Transmission System from TransCanada. The pipeline system is strategically located in the northeastern United States and serves New England’s growing energy needs,” said Steve Becker, President of the General Partner. “This transaction is another in a series of expected dropdowns from TransCanada and again demonstrates our strategy of investing in assets that provide stability and long-term value to our unitholders.”

“Our existing assets performed very well during the quarter, generating increased earnings and cash flows compared to the same quarter in 2014,” continued Becker. “This solid performance, together with the accretion from dropdowns, reaffirms our expectation that we will continue to increase the annual distribution at least at a 6 percent rate for the next 2 to 3 years.”

Third Quarter 2015 Highlights (All financial figures are unaudited)

- o Agreed to purchase a 49.9% interest in the Portland Natural Gas Transmission System (PNGTS) from TransCanada for \$223 million
- o Generated distributable cash flow of \$68 million
- o Paid cash distributions of \$59 million
- o Declared cash distributions of \$0.89 per common unit
- o Generated net income attributable to controlling interests of \$49 million

The Partnership’s financial highlights for the third quarter of 2015 compared to the third quarter of 2014 were:

<i>(unaudited)</i> <i>(millions of dollars except per common unit amounts)</i>	Three months ended		Nine months ended	
	September 30, 2015	2014	September 30, 2015	2014
Distributable cash flow ^(a)	68	52	217	188
Cash distributions paid	(59)	(54)	(169)	(157)
Cash distributions paid per common unit	\$0.89	\$0.84	\$2.57	\$2.46
Earnings before interest, taxes, depreciation and amortization (EBITDA) ^(a)	86	72	266	253
Net income attributable to controlling interests	49	31	150	125
Net income per common unit – <i>basic and diluted</i> ^(b)	\$0.70	\$0.48	\$2.23	\$1.96
Weighted average common units outstanding <i>(millions)</i> – <i>basic and diluted</i> ^(c)	64.0	62.6	63.8	62.4
Common units outstanding at end of period <i>(millions)</i> ^(c)	64.0	63.6	64.0	63.6

(a) Distributable cash flow and EBITDA are non-GAAP financial measures. Refer to the description of Distributable cash flow and EBITDA in the section of this release entitled “Non-GAAP Financial Measures” and the Supplemental Schedule for further detail.

(b) Net income per common unit is computed by dividing net income attributable to controlling interests, after deduction of amounts attributable to the General Partner and Class B units by the weighted average number of common units outstanding. Refer to Financial Summary-Consolidated Statements of Income section of this release.

(c) Under the ATM program, the Partnership issued 396,205 units during the nine months ended September 30, 2015.

Recent Developments

PNGTS Acquisition - On November 5, 2015, we entered into an agreement with TransCanada to acquire a 49.9 percent interest in the PNGTS for \$223 million including approximately \$35 million in proportionate PNGTS debt. PNGTS is a high-capacity, high-pressure interstate natural gas pipeline which began serving New England's energy needs in March 1999. The pipeline connects with the TransQuebec and Maritimes Pipeline at the Canadian border and shares facilities with the Maritimes and Northeast Pipeline from Westbrook, Maine to a connection with the Tennessee Gas Pipeline System near Boston, Massachusetts. The purchase agreement also provides for additional payments to TransCanada ranging from \$5 million up to a total of \$50 million if pipeline capacity is expanded to various thresholds during the 15-year period following the date of closing. The transaction is expected to close at the end of 2015. The Partnership plans to finance the acquisition with a combination of debt and equity.

The transaction was approved by the Board of Directors of the general partner, following approval and recommendation from the Board's conflicts committee, which is comprised entirely of independent directors. The conflicts committee engaged Deutsche Bank to act as its financial advisor, Morris, Nichols, Arsht & Tunnell, LLP as its legal counsel and Wood Mackenzie as its natural gas market outlook advisor.

Cash Distributions – On October 22, 2015, the board of directors of our General Partner declared the Partnership's third quarter 2015 cash distribution in the amount of \$0.89 per common unit, payable on November 13, 2015 to unitholders of record as of November 3, 2015.

Term Loan Facility – On September 30, 2015, the Partnership refinanced its maturing \$170 million short-term loan with a three-year term loan maturing on October 1, 2018. The outstanding principal bears interest based on the LIBOR plus an applicable margin.

Great Lakes - On October 15, 2015, Federal Energy Regulatory Commission approved a settlement regarding transportation service rates payable to Great Lakes, from its TransCanada affiliate, ANR Pipeline Company. As a result of the settlement, Great Lakes will recognize deferred transportation revenue of approximately \$23 million in the fourth quarter of 2015, inclusive of approximately \$9 million of revenue related to services performed in 2014.

GTN Carty Lateral- In October 2015, GTN placed the Carty Lateral in-service. The lateral was constructed in north-central Oregon to deliver natural gas to an electric generation facility owned by Portland General Electric Company. Portland General Electric Company has a 30-year contract for 100% of Carty Lateral's capacity and a 20-year GTN mainline contract for 75,000 dekatherms/day beginning in May 2016.

Results of Operations

For the three months ended September 30, 2015, net income attributable to controlling interests increased by \$18 million compared to the same period in 2014. The increase was primarily due to:

- higher net income from GTN mainly due to higher revenues from the sale of short-term services to its customers;
- higher equity earnings from Northern Border due to higher revenues from the sale of available capacity; and
- the 2015 GTN acquisition effective April 1, 2015, whereby the Partnership now owns 100 percent of GTN.

EBITDA increased by \$14 million compared to the same period in 2014. The increase was primarily due to:

- higher GTN revenues as noted above;
- higher equity earnings from Northern Border, again as noted above; and
- lower expenses in the current period primarily due to costs incurred relating to the 2014 Bison acquisition in 2014.

Distributable cash flow increased by \$16 million in the third quarter of 2015 compared to the same period in 2014 primarily due to the net effect of:

- higher EBITDA;
- no distributions paid to non-controlling interests in the current period as a result of the 2014 Bison acquisition and the 2015 GTN acquisition;
- higher interest expense related to additional borrowings to fund a portion of the 2014 Bison acquisition and the 2015 GTN acquisition;
- higher maintenance capital expenditures primarily due to 2015 major compression equipment overhauls on GTN's pipeline system; and
- distribution allocable to Class B units during the current period.

Non-GAAP Financial Measures

Effective September 30, 2015, we have presented the following non-GAAP financial measures:

- EBITDA
- Total distributable cash flow
- Distributable cash flow

EBITDA is an approximate measure of our operating cash flow during the current earnings period and reconciles directly to the net income amount presented. It measures our earnings before deducting interest, depreciation and amortization, net income attributable to non-controlling interests, distributions allocable to the General Partner and Class B units, and it includes earnings from our equity investments.

Total distributable cash flow and distributable cash flow provide measures of distributable cash generated during the current earnings period and reconcile directly to the net income amount presented.

Total distributable cash flow includes EBITDA *plus*:

- Distributions from our equity investments

less:

- Earnings from our equity investments,
- Equity allowance for funds used during construction (Equity AFUDC),
- Interest expense,
- Distributions to non-controlling interests, and
- Maintenance capital expenditures.

Distributable cash flow is computed net of distributions declared to the General Partner and distributions allocable to Class B units. Distributions declared to the General Partner are based on its effective two percent interest plus an amount equal to incentive distributions. Distributions allocable to the Class B units equal 30 percent of GTN's distributable cash flow for the six months ended September 30, 2015 less \$15 million.

Distributable cash flow information and EBITDA are presented to assist investors' in evaluating our business performance. We believe these measures provide additional meaningful information in evaluating our financial performance and cash distribution capability. As well, management uses these measures as a basis for recommendations to our General Partner's board of directors regarding the distribution amount to be declared each quarter.

The non-GAAP financial measures presented as part of this release are provided as a supplement to GAAP financial results and are not meant to be considered in isolation or as substitutes for financial results prepared in accordance with GAAP. Additionally, these measures as presented may not be comparable to similarly titled measures of other companies.

Conference Call

Analysts, members of the media, investors and other interested parties are invited to participate in a teleconference by calling 866.225.6564 on Friday, November 6, 2015 at 10:00 a.m. central time (CT)/11:00 a.m. eastern time (ET). Steve Becker, President of the General Partner, will discuss the third quarter financial results and provide an update on the Partnership's business, followed by a question and answer session for the investment community and media. Please dial in 10 minutes prior to the start of the call. No pass code is required. A live webcast of the conference call will also be available through the Partnership's website at www.TCPipeLinesLP.com. Slides for the presentation will be posted on the Partnership's website under "Events and Presentations" prior to the webcast.

A replay of the teleconference will also be available two hours after the conclusion of the call and until 11 p.m. (CDT) and midnight (EDT) on November 13, 2015, by calling 800.408.3053, then entering pass code 5111484.

TC PipeLines, LP is a Delaware master limited partnership with interests in six federally regulated U.S. interstate natural gas pipelines which serve markets in the Western and Midwestern United States. The Partnership is managed by its general partner, TC PipeLines GP, Inc., a subsidiary of TransCanada Corporation (NYSE: TRP). For more information about TC PipeLines, LP, visit the Partnership's website at www.TCPipeLinesLP.com.

Forward-Looking Statements

Certain non-historical statements in this release relating to future plans, projections, events or conditions are intended to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on current expectations and, therefore, subject to a variety of risks and uncertainties that could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this release, including, without limitation, the timing, structure and closing of future dropdowns of TransCanada's remaining U.S. natural gas pipeline assets and the ability of these assets to generate ongoing value to our unitholders, competitive conditions in the natural gas industry, increases in operating and compliance costs, the outcome of rate proceedings, our ability to identify and complete expansion and growth opportunities, operating hazards beyond our control, availability of capital and market demand that the Partnership expects or believes will or may occur in the future. These and other factors that could cause future results to differ materially from those anticipated are discussed in Item 1A in our Annual Report on Form 10-K for the year-ended December 31, 2014 filed with the Securities and Exchange Commission (the SEC), as updated and supplemented by subsequent filings with the SEC. All forward-looking statements are made only as of the date made and except as required by applicable law, we undertake no obligation to update any forward-looking statements to reflect new information, subsequent events or other changes.

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TC PipeLines, LP
Financial Summary

Consolidated Statements of Income

<i>(unaudited)</i>	Three months ended September 30,		Nine months ended September 30,	
<i>(millions of dollars except per common unit amounts)</i>	2015	2014	2015	2014
Transmission revenues	83	80	255	249
Equity earnings from unconsolidated affiliates	17	15	63	66
Operation and maintenance expenses	(12)	(14)	(36)	(38)
Property taxes	(5)	(5)	(16)	(17)
General and Administrative	(1)	(5)	(5)	(8)
Depreciation	(21)	(21)	(63)	(64)
Financial charges and other	(12)	(11)	(41)	(37)
Net income	49	39	157	151
Net income attributable to non-controlling interests	-	8	7	26
Net income attributable to controlling interests	49	31	150	125
Calculation of net income attributable to common units				
Net income attributable to controlling interests	49 ^(b)	31	150 ^(b)	125
Less:				
Net income attributable to the General Partner, including incentive distributions	2	1	5	3
Net income attributable to Class B units	2 ^(b)	-	2 ^(b)	-
Net Income attributable to common units	45	30	143	122
Weighted average common units outstanding (millions) - basic and diluted	64.0	62.6	63.8	62.4
Net income per common unit - basic and diluted ^(a)	\$ 0.70 ^(b)	\$ 0.48	\$ 2.23 ^(b)	\$ 1.96
Common units outstanding, end of period (millions)	64.0	63.6	64.0	63.6

(a) Net income per common unit is computed by dividing net income attributable to controlling interests, after deduction of amounts attributable to the General Partner and Class B units by the weighted average number of common units outstanding. The amount allocable to the General Partner equals an amount based upon the General Partner's effective two percent general partner interest, plus an amount equal to incentive distributions. See note immediately below for further discussion of amounts attributable to the Class B units.

(b) The Class B units we issued to TransCanada as part of financing the acquisition of the remaining 30 percent in GTN on April 1, 2015 entitle TransCanada to an annual distribution based on 30 percent of GTN's annual distributions as follows: (i) 100 percent of distributions above \$20 million through March 31, 2020; and (ii) 25 percent of distributions above \$20 million thereafter. Under the terms of the Partnership Agreement, the Class B distribution will be initially calculated to equal 30 percent of GTN's distributable cash flow for the nine months ending December 31, 2015, less \$15 million. Consistent with the application of Accounting Standards Codification 260 - "Earnings per share," the Partnership will allocate a portion of net income attributable to controlling interests to the Class B units upon 30 percent of GTN's total distributable cash flow exceeding \$15 million for the nine month period ending December 31, 2015.

During the six months ended September 30, 2015, 30 percent of GTN's total distributable cash flow was \$17 million. Given the 2015 threshold level for Class B unit distributions is \$15 million, we have allocated \$2 million of the Partnership's net income attributable to controlling interests to the Class B units in the third quarter. This allocation reduced net income per common unit by approximately three cents during the three and nine months ended September 30, 2015. Additionally, as the threshold level for 2015 has now been exceeded, we expect to allocate 30 percent of GTN's fourth quarter distributable cash flow to the Class B units.

TC PipeLines, LP
Financial Summary

Consolidated Condensed Balance Sheets

<i>(unaudited)</i> <i>(millions of dollars)</i>	September 30, 2015	December 31, 2014
ASSETS		
Current assets	66	68
Investment in unconsolidated affiliates	1,151	1,177
Plant, property and equipment, net	1,953	1,968
Other assets	138	136
	<u>3,308</u>	<u>3,349</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	64	291
Other liabilities	27	26
Long-term debt, net of current portion	1,890	1,446
Partners' equity	1,327	1,586
	<u>3,308</u>	<u>3,349</u>

TC PipeLines, LP
Supplemental Schedule

Non-GAAP Financial Measures
Reconciliations of Net income to Distributable Cash Flow

<i>(unaudited)</i> <i>(millions of dollars except per common unit amounts)</i>	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net Income	49	39	157	151
Add:				
Interest expense ^(a)	16	12	45	37
Depreciation and amortization ^(b)	21	21	64	65
EBITDA	86	72	266	253
Add:				
Distributable cash flow from equity investments ^(c)				
Northern Border	23	19	69	66
Great Lakes	3	4	21	22
	26	23	90	88
Less:				
Equity earnings				
Northern Border	(16)	(14)	(50)	(53)
Great Lakes	(1)	(1)	(13)	(13)
	(17)	(15)	(63)	(66)
Less:				
Equity AFUDC	(1)	-	(1)	-
Interest expense ^(a)	(16)	(12)	(45)	(37)
Distributions to non-controlling interests ^(d)	-	(13)	(11)	(42)
Maintenance capital expenditures	(6)	(2)	(12)	(5)
Total Distributable Cash Flow ^(e)	72	53	224	191
General Partner distributions declared ^(f)	(2)	(1)	(5)	(3)
Distributions allocable to Class B units ^(g)	(2)	-	(2)	-
Distributable Cash Flow ^(e)	68	52	217	188

- (a) Interest expense includes net realized loss related to the interest rates swaps of \$1 million and \$2 million for the three and nine months ended September 30, 2015, respectively (2014 - \$1 million and \$2 million).
- (b) Amounts presented here represent depreciation of Plant, property and equipment and amortization of debt issuance costs.
- (c) Amounts here are calculated in accordance with the cash distribution policies of these entities. Distributions from each of our equity investments represent our respective share of these entities' quarterly distributable cash during the current reporting period.
- (d) Amounts here are calculated in accordance with the cash distribution policies of our consolidated subsidiaries. Distributions to non-controlling interests represent the respective share of quarterly distributable cash during the current reporting period not owned by us.
- (e) "Total Distributable Cash Flow" and "Distributable Cash Flow" represent the amount of distributable cash generated by the Partnership subsidiaries and equity investments during the current earnings period and thus reconcile directly to the net income amount presented. The calculation differs from the previous non-GAAP measure "Partnership Cash Flows before General Partner distributions" and "Partnership Cash Flows" as the previously used measures primarily reflected cash received during the period through distributions from our subsidiaries and equity investments that were generated from the prior quarter's financial results. The amounts reflected here have been adjusted to reflect the calculation as described above and to present the comparable "Total Distributable Cash flow" and "Distributable Cash Flow" from the previous periods.
- (f) Distributions declared to the General Partner for the three and nine months ended September 30, 2015 included an incentive distribution of approximately \$1 million and \$2 million, respectively (2014 - nil).
- (g) During the six months ended September 30, 2015, 30 percent of GTN's total distributions was \$17 million. Given the 2015 threshold level for Class B unit distributions is \$15 million, we have allocated \$2 million to the Class B units in the third quarter. Additionally, as the threshold level for 2015 has now been exceeded, we expect to allocate 30 percent of GTN's fourth quarter distributable cash flow to the Class B units. Refer to note (b) of the Financial Summary-Consolidated Statements of Income section of this release for additional details.

