



**TRANSCANADA CORPORATION**

**ANNUAL INFORMATION FORM**

**February 27, 2006**

## TABLE OF CONTENTS

	Page
<b>TABLE OF CONTENTS</b>	i
<b>PRESENTATION OF INFORMATION</b>	ii
<b>FORWARD-LOOKING INFORMATION</b>	ii
<b>REFERENCE INFORMATION</b>	ii
<b>TRANSCANADA CORPORATION</b>	1
Corporate Structure	1
Significant Subsidiaries	2
<b>GENERAL DEVELOPMENT OF THE BUSINESS</b>	2
Developments in Gas Transmission Business	2
Developments in Power Business	4
Recent Developments	5
<b>BUSINESS OF TRANSCANADA</b>	6
Gas Transmission Business	6
Regulation	7
Power	8
Other Interests	9
<b>HEALTH, SAFETY AND ENVIRONMENT</b>	9
<b>LEGAL PROCEEDINGS</b>	10
<b>TRANSFER AGENT AND REGISTRAR</b>	10
<b>INTEREST OF EXPERTS</b>	10
<b>RISK FACTORS</b>	11
Gas Transmission	11
Power	11
Other	11
<b>DIVIDENDS</b>	11
<b>DESCRIPTION OF CAPITAL STRUCTURE</b>	12
<b>CREDIT RATINGS</b>	13
<b>MARKET FOR SECURITIES</b>	14
<b>DIRECTORS AND OFFICERS</b>	15
Directors	15
Officers	17
<b>CORPORATE GOVERNANCE</b>	18
Audit Committee	18
Other Board Committees	20
Conflicts of Interest	21
<b>ADDITIONAL INFORMATION</b>	21
<b>GLOSSARY</b>	22
<b>SCHEDULE "A"</b>	A-1
Exchange Rate of the Canadian Dollar	A-1
Metric Conversion Table	A-1
<b>SCHEDULE "B" Charter of the Audit Committee</b>	B-1
<b>SCHEDULE "C" Charter of the Governance Committee</b>	C-1
<b>SCHEDULE "D" Charter of the Health, Safety and Environment Committee</b>	D-1
<b>SCHEDULE "E" Charter of the Human Resources Committee</b>	E-1

## PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this Annual Information Form ("AIF") is given at or for the year ended, December 31, 2005 ("Year End"). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles.

This AIF provides material information about the business and operations of TransCanada Corporation ("*TransCanada*"). TransCanada's Management's Discussion and Analysis dated February 27, 2006 ("*MD&A*") and TransCanada's Audited Consolidated Financial Statements are incorporated by reference into this AIF and can be found in TransCanada's Annual Report to Shareholders for the year ended December 31, 2005 ("*Annual Report*") which is available on TransCanada's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Unless the context indicates otherwise, a reference in this AIF to "TransCanada" includes the subsidiaries of TransCanada through which its various business operations are conducted. In particular, "TransCanada" includes references to TransCanada PipeLines Limited ("*TCPL*"). Where TransCanada is referred to with respect to actions that occurred prior to its 2003 plan of arrangement with TCPL, which is described below under the heading "TransCanada Corporation – Corporate Structure", these actions were taken by TCPL or its subsidiaries. The term "subsidiary", when referred to in this AIF, with reference to TransCanada means direct and indirect wholly-owned subsidiaries of, and entities controlled by, TransCanada or TCPL, as applicable.

Trends impacting TransCanada's gas transmission and power businesses are discussed in the MD&A under the headings "Gas Transmission" (under the subheadings "Opportunities and Developments", "Regulatory Developments" and "Business Risks") and "Power" (under the subheadings "Opportunities and Developments" and "Business Risks").

## FORWARD-LOOKING INFORMATION

This AIF, the documents incorporated by reference into this AIF, and other reports and filings made with the securities regulatory authorities include forward-looking statements. All forward-looking statements are based on TransCanada's beliefs and assumptions based on information available at the time the assumption was made. Forward-looking statements relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. Much of this information also appears in the MD&A. By its nature, such forward-looking information is subject to various risks and uncertainties, including those material risks discussed in this AIF under "Risk Factors" and in the MD&A under "Gas Transmission – Business Risks" and "Power – Business Risks", which could cause TransCanada's actual results and experience to differ materially from the anticipated results or other expectations expressed. The material assumptions in making these forward-looking statements are disclosed in the MD&A under the headings "Overview and Strategic Priorities", "Gas Transmission – Opportunities and Developments", "Gas Transmission – Outlook", "Power – Opportunities and Developments" and "Power – Outlook". Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this AIF or otherwise, and TransCanada undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## REFERENCE INFORMATION

For the reference information noted below, please refer to Schedule "A".

- Exchange Rate of the Canadian Dollar
- Metric Conversion Table

## TRANSCANADA CORPORATION

### Corporate Structure

TransCanada's head office and registered office are located at 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1.

TransCanada was incorporated pursuant to the provisions of the *Canada Business Corporation Act* on February 25, 2003 in connection with a plan of arrangement which established TransCanada as the parent company of TCPL. The arrangement was approved by TCPL common shareholders on April 25, 2003 and, following court approval and the filing of Articles of Arrangement, the arrangement became effective May 15, 2003. Pursuant to the arrangement, the common shareholders of TCPL exchanged each of their TCPL common shares for one common share of TransCanada. The debt securities and preferred shares of TCPL remained obligations and securities of TCPL. TCPL continues to hold the assets it held prior to the arrangement and continues to carry on business as the principal operating subsidiary of the TransCanada group of entities. TransCanada does not hold any assets directly other than the common shares of TCPL.

TransCanada is a Canadian public company. Significant dates and events are set forth below.

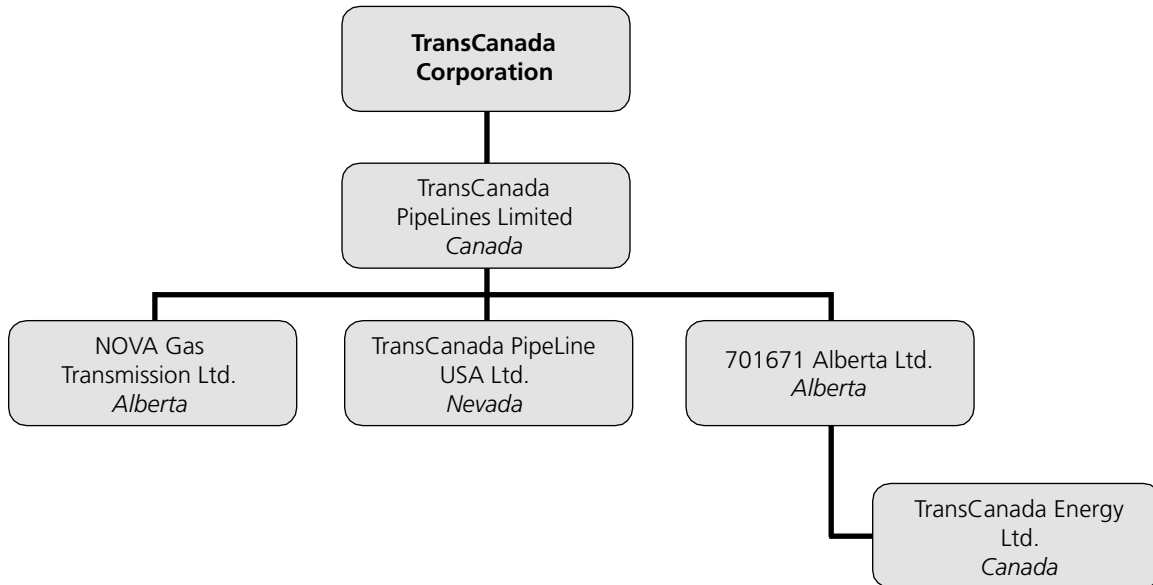
Date	Event
February 25, 2003	TransCanada incorporated under <i>Canada Business Corporations Act</i>
May 15, 2003	Certificate of Arrangement issued

The significant dates and events relating to TCPL are set out in TCPL's Annual Information Form for the year ended December 31, 2005, dated February 27, 2006.

TransCanada does not directly employ any employees or contractors. At Year End, TransCanada's principal operating subsidiary, TCPL, had approximately 2,350 employees, substantially all of whom were employed in Canada and the United States.

### Significant Subsidiaries

TransCanada's significant subsidiaries<sup>(1)</sup> at Year End and the jurisdiction under which each subsidiary was incorporated are noted below. TransCanada owns, directly or indirectly, 100 per cent of the voting shares of each of these subsidiaries.



<sup>(1)</sup> Excludes certain of TransCanada's subsidiaries where:

- the total assets of each excluded subsidiary do not exceed ten per cent of the consolidated assets of TransCanada at Year End;
- the sales and operating revenues of each excluded subsidiary do not exceed ten per cent of the consolidated sales and operating revenues of TransCanada for the year ended, December 31, 2005;
- the aggregate assets of all the excluded subsidiaries do not exceed 20 per cent of the consolidated assets of TransCanada at Year End; and
- the aggregate sales and operating revenues of all the excluded subsidiaries do not exceed 20 per cent of the consolidated sales and operating revenues of TransCanada for the year ended, December 31, 2005.

### GENERAL DEVELOPMENT OF THE BUSINESS

The general development of TransCanada's business during the last three financial years, and the significant acquisitions, events or conditions which have had an influence on that development, are described below.

#### Developments in Gas Transmission Business

TransCanada's focus has been to sustain, grow and optimize its natural gas transmission business. Summarized below are significant developments that have occurred in TransCanada's natural gas transmission business over the last three years.

##### 2005

In 2005, some of the significant natural gas transmission developments that occurred involved the sale of common units of TC PipeLines, LP, regulatory matters including the National Energy Board's ("NEB") decision on the Canadian Mainline 2004 Tolls and Tariff Application (Phase II) and a settlement relating to the Alberta System, on-going construction of a natural gas storage facility located near Edson, Alberta, continued funding of the Mackenzie Valley

Aboriginal Pipeline Limited Partnership (known as "*Aboriginal Pipeline Group*" or "*APG*") for its participation in the Mackenzie Gas Pipeline Project, continued discussions relating to the proposed Alaska Highway Pipeline Project, launching of the Keystone crude oil pipeline project and the announcement in January 2006 that firm, long-term contracts were secured for the project, continued work toward gaining regulatory approval for its two liquified natural gas ("*LNG*") projects: Cacouna in Québec and the Broadwater Energy project, offshore of New York State in Long Island Sound, acquisition of an additional interest in the Iroquois Gas Transmission System L.P. ("*Iroquois System*") and the commencement of construction of the Tamazunchale Pipeline in east-central Mexico. Further information about each of these developments can be found in the MD&A under the heading "TransCanada's Strategy – Gas Transmission" and "Gas Transmission – Opportunities and Developments".

## 2004

In September 2004, TransCanada and Petro-Canada signed a memorandum of understanding for the development of the Cacouna Energy LNG facility in Cacouna, Québec, approximately 15 kilometres northeast of Rivière-du-Loup. The proposed facility will be capable of receiving, storing and regasifying imported LNG with an average annual send out capacity of approximately 500 million cubic feet per day of natural gas. TransCanada and Petro-Canada will share equally the construction costs of the facility, which are estimated to be \$660 million. TransCanada will operate the facility while Petro-Canada will contract for the facility's entire regasification capacity and supply the LNG. The proposed facility requires regulatory and other approvals from federal, provincial and municipal governments and regulators and the regulatory approval process is anticipated to take approximately two years to complete. In September 2005, the village of Cacouna, Québec voted 57.2 per cent in favour of an LNG terminal to be built in the area. Québec's Ministry of Environment commenced its 45 day public consultation period on February 22, 2006 regarding its next phase for this project. TransCanada continues to work towards gaining regulatory approval and provided the necessary approvals are obtained, the facility is anticipated to be in service towards the end of this decade.

In November 2004, TransCanada acquired the Gas Transmission Northwest System and the North Baja System from National Energy & Gas Transmission, Inc. ("*NEGT*") for US\$1.7 billion, including approximately US\$0.5 billion of assumed debt, subject to typical closing adjustments. The 2,174 kilometre Gas Transmission Northwest System, formerly known as Pacific Gas Transmission, extends from a connection point on TransCanada's BC System and Foothills System near Kingsgate, British Columbia on the B.C./Idaho border to a point near Malin, Oregon on the Oregon/California border. The natural gas transported on this system originates primarily in Canada and is supplied to markets in the Pacific Northwest, California and Nevada. The 129 kilometre North Baja System extends from a point near Ehrenberg, Arizona to a point near Ogilby, California on the California/Mexico border. The natural gas transported on the North Baja System comes primarily from supplies in the southwestern U.S. for markets in northern Baja California, Mexico.

In November 2004, TransCanada and Shell US Gas & Power LLC ("*Shell*") announced plans to jointly develop an offshore LNG regasification terminal, Broadwater Energy, in the New York State waters of Long Island Sound. The proposed floating storage and regasification unit will be capable of receiving, storing and regasifying imported LNG with an average send out capacity of approximately one billion cubic feet ("*Bcf*") per day of natural gas. TransCanada and Shell will build and install a floating storage and regasification unit at a location approximately 15 kilometres off the Long Island coast and 18 kilometres off the Connecticut coast. TransCanada will own 50 per cent of Broadwater Energy LLC, which will own and operate the facility, while Shell will contract for the facility's entire regasification capacity and supply the LNG. The estimated cost of construction is approximately US\$700 million to US\$1 billion. The proposed Broadwater Energy LNG facility requires regulatory approval from federal and state governments before construction can begin and the regulatory approval process is anticipated to take up to three years to complete. Provided the necessary approvals are granted and commercial commitments obtained, the facility could be in service in late 2010 or early 2011. TransCanada, on behalf of the Broadwater Energy project, filed a formal application with the U.S. Federal Energy Regulatory Commission ("*FERC*") in January 2006, for federal approval to construct and operate Broadwater.

### 2003

In August 2003, TransCanada acquired the remaining interests in Foothills Pipe Lines Ltd. ("*Foothills*") that it did not previously own. The Foothills System, which is owned by Foothills, extends 1,040 kilometres and has two legs: one which originates south of Caroline, Alberta and runs along the foothills of the Rocky Mountains through the Crowsnest Pass to Kingsgate, B.C. where it connects to the Gas Transmission Northwest System; and the other which originates south of Caroline, Alberta and runs southeast across Alberta and Saskatchewan to the Canada-U.S. border near Monchy, Saskatchewan where it interconnects with Northern Border Pipeline Company ("*Northern Border Pipeline*"). The Foothills System carries over 30 per cent of all Canadian natural gas exports to the U.S.

TransCanada, through Foothills, holds certificates for both the Alaskan and Canadian segments of the Alaska Highway Pipeline Project and also holds significant right-of-way assets for the project in both Canada and Alaska.

In June 2003, TransCanada, the Mackenzie Delta Producers Group ("*Mackenzie Producers*") and the APG reached a funding and participation agreement. TransCanada agreed to finance the APG's share of project development costs in exchange for certain rights in the Mackenzie Gas Pipeline Project, including a right to an ownership interest in the pipeline at the decision to construct, preferential rights of first refusal and preferential expansion rights and the right of connection of the Mackenzie Delta natural gas flow into the Alberta System. For current information about the Mackenzie Gas Pipeline Project, please refer to the MD&A under the heading "Gas Transmission – Opportunities and Development – Mackenzie Gas Pipeline Project".

Through acquisitions that took place in September and December 2003, TransCanada increased its ownership interest in Portland Natural Gas Transmission System Partnership ("*Portland*") in the northeastern U.S. from 33.3 per cent to 61.7 per cent.

### Developments in Power Business

In the past three years, TransCanada has grown its power business and, in particular, has increased its generation capacity from facilities it owns, operates and/or controls, including those under construction or in development, from 4,667 megawatts ("*MW*") in 2003 to 6,736 MW at Year End. Summarized below are significant developments that have occurred in TransCanada's power business over the last three years.

### 2005

The significant power developments that occurred in 2005 included the advancement of the 739.5 MW Cartier Wind Energy project ("*Cartier Wind Energy*"), the sale of TransCanada's approximate 11 per cent interest in P.T. Paiton Energy Company ("*Paiton Energy*") to subsidiaries of The Tokyo Electric Power Company resulting in gross proceeds of US\$103 million (\$122 million), the acquisition of the 756 MW Sheerness Power Purchase Arrangement for \$585 million, the restructuring of Bruce Power L.P. ("*Bruce B*") and the execution of agreements by Bruce Power A L.P. ("*Bruce A*") with the Ontario Power Authority to restart and refurbish units at Bruce A, the acquisition of power generation assets from USGen New England, Inc. ("*USGen*") for US\$505 million, the sale of all of TransCanada's interests in TransCanada Power, L.P. ("*Power LP*") to EPCOR Utilities Inc. for net proceeds of \$523 million in August 2005 and OSP's successful restructuring of its long-term natural gas fuel supply contracts with its supplier.

Further information about each of these power developments can be found in the MD&A under the heading "TransCanada's Strategy – Power". Further information can be found in the MD&A about Bruce A and Bruce B under the heading "Power – Financial Analysis – Bruce Power", about the sale of Paiton Energy under "Power – Highlights – Net Earnings", "Power – Power Results-at-a-Glance", "Discontinued Operations" and elsewhere, and about the Power LP under the heading "Power – Financial Analysis – Power LP Investment".

### 2004

TransCanada received approval from the Québec government in April 2004, to develop the 550 MW natural gas-fired Bécancour cogeneration plant which is located at an industrial park near Trois-Rivières, Québec ("*Bécancour Plant*") and which will supply its entire power output to Hydro-Québec Distribution under a 20 year power purchase contract. The

Bécancour Plant will also supply steam to two other companies located within the same industrial park. Construction of the 550 MW Bécancour Plant began in the third quarter of 2004. The cost of the Bécancour Plant is estimated to be \$550 million, and the plant is expected to be in service in late 2006.

In April 2004, TransCanada sold its ManChief and Curtis Palmer power plants to Power LP for approximately US\$402.6 million, excluding closing adjustments. The acquisition was partially financed by Power LP through a public offering of subscription receipts which were subsequently converted into limited partnership units. TransCanada did not take up its full pro rata share of the units and as a result, its interest in Power LP was reduced from 35.6 per cent to 30.6 per cent.

Cartier Wind Energy, of which 62 per cent is owned by TransCanada, was awarded six wind energy projects by Hydro-Québec Distribution in October 2004, representing a total of 739.5 MW in the Gaspé region of Québec. The six projects are distributed throughout the Gaspésie-Iles-de-la-Madeleine region and the Regional County Municipality of Matane and are expected to cost a total of more than \$1.1 billion to develop and construct. Construction of the first two of six wind farm projects will commence in early 2006 and the first of the two projects is expected to be in service in late 2006. The entire output will be supplied to Hydro-Québec Distribution under a 20-year power purchase contract.

Construction of the 165 MW MacKay River power plant located in Alberta was completed in 2003 and the plant was put into commercial service in 2004.

Construction of the 90 MW Grandview natural gas-fired cogeneration power plant on the site of the Irving Oil refinery in Saint John, New Brunswick ("*Grandview Plant*") was completed by the end of 2004 and was commissioned in January 2005. Under a 20 year tolling arrangement, a subsidiary of Irving Oil Limited will provide fuel to the Grandview Plant and has contracted for 100 per cent of the Grandview Plant's heat and electricity output.

### 2003

In February 2003, TransCanada, as part of a consortium, acquired a 31.6 per cent interest in Bruce B and a 33.3 per cent interest in Bruce Power Inc., the general partner of Bruce B. Bruce B leases its generation facilities from Ontario Power Generation Inc. ("*OPG*"). The facilities consist of eight nuclear reactors, five of which were operational at the end of 2003, with a capacity of 3,950 MW. An additional reactor with capacity of 750 MW commenced commercial operations in March 2004.

The members of the purchasing consortium of Bruce B severally guaranteed, on a pro-rata basis, certain contingent financial obligations of Bruce B related to operator licenses, the OPG lease agreement, power sales agreements and contractor services. Bruce B continues to be operated by experienced nuclear power plant operators. Spent fuel and decommissioning liabilities remain with OPG under the terms of the lease.

### Recent Developments

On February 9, 2006, TransCanada announced the filing by its subsidiary, North Baja Pipeline LLC, of an application with the FERC for a certificate for a two-phase expansion of its existing natural gas pipeline in southern California and the construction of a new pipeline lateral in California's Imperial Valley.

TransCanada announced on February 15, 2006, that it will sell its 17.5 per cent general partner interest in Northern Border Partners, L.P. to a subsidiary of ONEOK, Inc. for a net payment of US\$30 million subject to certain closing adjustments. In addition, TransCanada will become the operator of Northern Border Pipeline ("*NBPL*") in early 2007. The transaction is expected to close in the second quarter of 2006 and is part of a series of transactions that will also result in TC PipeLines, LP, an affiliate of TransCanada, acquiring an additional 20 per cent interest in NBPL from Northern Border Partners, L.P., bringing its total general partnership interest in NBPL to 50 per cent.



## BUSINESS OF TRANSCANADA

TransCanada is a leading North American energy infrastructure company focused on natural gas transmission and power generation. At Year End, the gas transmission business accounted for approximately 68 per cent of revenues and 76 per cent of TransCanada's total assets and the power business accounted for approximately 32 per cent of revenues and 20 per cent of TransCanada's total assets. The following is a description of each of TransCanada's two main areas of operation.

The following table shows TransCanada's revenues from operations by segment, classified geographically, for the years ended December 31, 2005 and 2004.

<b>Revenues From Operations</b> (millions of dollars)	<b>2005</b>	<b>2004</b>
<b>Gas Transmission</b>		
Canada – Domestic Deliveries	<b>2,451</b>	2,441
Canada – Export Deliveries <sup>(1)</sup>	<b>1,159</b>	1,259
United States	<b>553</b>	229
	<b>4,163</b>	3,929
<b>Power<sup>(2)</sup></b>		
Canada – Domestic Deliveries	<b>1,048</b>	773
Canada – Export Deliveries <sup>(1)</sup>	<b>1</b>	2
United States	<b>912</b>	793
	<b>1,961</b>	1,568
<b>Total Revenues<sup>(3)</sup></b>	<b>6,124</b>	5,497

<sup>(1)</sup> Export deliveries include gas transmission revenues attributable to deliveries to U.S. pipelines and power deliveries to U.S. markets.

<sup>(2)</sup> Revenues include sales of natural gas.

<sup>(3)</sup> Revenues are attributed to countries based on country of origin of product or service.

### Gas Transmission Business

TransCanada, through subsidiaries, has substantial Canadian and U.S. natural gas pipeline and related holdings, including:

#### Canada

- a natural gas transmission system running from the Alberta border east to delivery points in eastern Canada and at various U.S. border points ("*Canadian Mainline*");
- a natural gas transmission system throughout the province of Alberta ("*Alberta System*");
- a natural gas transmission system in southeastern B.C., southern Alberta and southwestern Saskatchewan ("*Foothills System*");
- a natural gas transmission system in southeastern B.C. ("*BC System*");
- a 121 km natural gas transmission pipeline and related facilities which supplies natural gas to the oil sands region of northern Alberta and a 27 km natural gas pipeline which supplies natural gas to a petrochemical complex at Joffre, Alberta;
- a 50 per cent interest in Trans Québec & Maritimes Pipeline Inc. ("*TQM*") which operates a natural gas transmission system in southeastern Québec ("*TQM System*"); and

- a 60 per cent interest in CrossAlta Gas Storage Services Ltd., a long-term natural gas storage contract and the Edson gas storage facility which is currently under construction.

#### **United States**

- the Gas Transmission Northwest System, a natural gas transmission system running from northwestern Idaho, through Washington and Oregon to the California border;
- the North Baja System, a natural gas transmission system which extends from southwestern Arizona to a point near Ogilby, California on the California/Mexico border;
- a 50 per cent interest in the Great Lakes Gas Transmission system ("*Great Lakes System*") which is located in the north central U.S., roughly parallel to the Canada-U.S. Border;
- a 44.5 per cent interest in the Iroquois System which runs southwards down through the eastern part of the State of New York terminating at points in Long Island and New York City;
- a 61.7 per cent interest in the Portland system which runs through Maine and New Hampshire into Massachusetts;
- a 4 per cent effective ownership interest, held through TC PipeLines, LP, in the NBPL system which is located in the upper midwestern portion of the U.S.; and
- a 7.6 per cent effective ownership interest in the Tuscarora Gas Transmission Company ("*Tuscarora*") system which runs from Oregon eastwards to the upper portion of Nevada. One per cent of this interest is held directly through a subsidiary of TransCanada and the remainder is held through TransCanada's interest in TC PipeLines, LP.

TransCanada holds a 13.4 per cent interest in TC PipeLines, LP, a publicly held limited partnership of which a subsidiary of TransCanada acts as the general partner. The remaining interest of TC PipeLines, LP is widely held by the public. At Year End, TC PipeLines, LP held a 30 per cent interest in NBPL and a 49 per cent interest in Tuscarora.

TransCanada also has the following natural gas pipeline and related holdings in Central and South America which are held through subsidiaries:

- a 46.5 per cent interest in the TransGas system which runs from Mariquita in central Colombia to Cali in southwest Colombia;
- a 30 per cent interest in the Gas Pacifico pipeline which extends from Loma de la Lata, Argentina to Concepción, Chile;
- a 30 per cent interest in INNERGY Holdings S.A. which is an industrial natural gas marketing and distribution company based in Concepción, Chile; and
- the Tamazunchale natural gas pipeline, which is under construction and expected to be in service in December 2006, and extends from the Pemex Gas facilities near Naranjos, Veracruz, Mexico to an electricity generation station near Tamazunchale, San Luis Potosi, Mexico.

Further information about TransCanada's pipeline holdings, developments and opportunities relating to gas transmission and significant regulatory developments which relate to gas transmission can be found in the MD&A under the headings "Gas Transmission", "Gas Transmission – Opportunities and Developments" and "Gas Transmission – Regulatory Developments".

In addition, information about the Mackenzie Gas Pipeline Project and the Alaska Highway Pipeline Project can be found in the MD&A under the headings "Gas Transmission – Opportunities and Developments – Mackenzie Gas Pipeline Project" and "Gas Transmission – Opportunities and Developments – Alaska Highway Pipeline Project", respectively and about TransCanada's activities relating to LNG under the heading "Gas Transmission – Opportunities and Developments – LNG".

#### **Regulation**

##### *Canadian Mainline*

Under the terms of the *National Energy Board Act* (Canada), the Canadian Mainline is regulated by the NEB. The NEB sets tolls which provide TransCanada the opportunity to recover projected costs of transporting natural gas, including

the return on the Canadian Mainline's average investment base. In addition, new facilities are approved by the NEB before construction begins and the NEB regulates the operation of the Canadian Mainline. Net earnings of the Canadian Mainline are affected by changes in investment base, the return on equity, the level of deemed common equity and the potential for incentive earnings.

#### *Alberta System*

The Alberta System is regulated by the Alberta Energy and Utilities Board ("*EUB*") primarily under the provisions of the *Gas Utilities Act (Alberta)* ("*GUA*") and the *Pipeline Act (Alberta)*. Under the *GUA*, its rates, tolls and other charges, and terms and conditions of service are subject to approval by the EUB. Under the provisions of the *Pipeline Act*, the EUB oversees various matters including the economic, orderly and efficient development of the pipeline, the operation and abandonment of the pipeline and certain related pollution and environmental conservation issues. In addition to requirements under the *Pipeline Act*, the construction and operation of natural gas pipelines in Alberta are subject to certain provisions of other provincial legislation such as the *Environmental Protection and Enhancement Act* (Alberta).

#### **Power**

The Power segment of TransCanada's business includes the acquisition, development, construction, ownership and operation of electrical power generation plants, the purchase and marketing of electricity and the provision of electricity account services to energy and industrial customers.

The electrical power generation plants and power supply that TransCanada owns, operates and/or controls, including those under development or in construction, in the aggregate, represent approximately 6,700 MW of power generation capacity. Power plants and power supply in Canada account for approximately 83 per cent of this total, and power plants in the U.S. account for the balance, being approximately 17 per cent.

TransCanada owns and operates:

- natural gas-fired cogeneration plants in Alberta at Carseland (80 MW), Redwater (40 MW), Bear Creek (80 MW) and MacKay River (165 MW);
- the Grandview natural gas-fired cogeneration plant (90 MW) near Saint John, New Brunswick;
- a waste-heat fuelled power plant at the Cancarb facility in Medicine Hat, Alberta (27 MW);
- a natural gas-fired, combined-cycle Ocean State Power plant in Burrillville, Rhode Island (560 MW); and
- hydroelectric generation assets in New Hampshire, Vermont and Massachusetts (567 MW).

TransCanada has long-term power purchase arrangements in place for:

- 100 per cent of the production of the Sundance A (560 MW) and a 50 per cent interest, through a partnership, in the production of the Sundance B (353 MW of 706 MW) power facilities near Wabamun, Alberta; and
- 756 MW of the production from the Sheerness facility near Hanna, Alberta.

TransCanada owns, but does not operate:

- a 47.9 per cent partnership interest at Year End, in the Bruce A nuclear power generation facility in Ontario (718.5 MW of a total of 1,500 MW that is currently in operation. Another 1,500 MW of which 718.5 MW are attributable to TransCanada, will be generated from two other units currently under refurbishment with restart expected beginning in 2009);
- a 31.6 per cent partnership interest in the Bruce B nuclear power generation facilities in Ontario (1,011 MW of a total of 3,200 MW that is in operation); and
- a 16.7 per cent interest in Huron Wind L.P. whose assets are located at the Bruce site (2 MW of a total of 9 MW that is in operation).

TransCanada owns the following facilities which are under construction or development:

- the 550 MW Bécancour natural gas-fired cogeneration plant near Trois-Rivières, Québec, which is expected to be in commercial service in late 2006; and
- a 62 per cent interest in Cartier Wind Energy which will construct six wind energy projects in the Gaspé region of Québec over the period 2006 to 2012 (458 MW of a total of 739.5 MW).

Further information about TransCanada's power holdings and significant developments and opportunities relating to power can be found in the MD&A under the headings "Power", "Power – Financial Analysis" and "Power – Opportunities and Developments". In particular, information about TransCanada's Eastern and Western power operations and about TransCanada's divestiture of Power LP to EPCOR, can be found under the heading "Power" in the MD&A.

### **Other Interests**

#### ***Cancarb Limited***

TransCanada owns Cancarb Limited, a world scale thermal carbon black manufacturing facility located in Medicine Hat, Alberta.

#### ***TransCanada Turbines***

TransCanada owns a 50 per cent interest in TransCanada Turbines Ltd., a repair and overhaul business for aero-derivative industrial gas turbines. This business operates primarily out of facilities in Calgary, Alberta, with offices in Bakersfield, California; East Windsor, Connecticut; and Liverpool, England.

#### ***TransCanada Calibrations***

TransCanada owns an 80 per cent interest in TransCanada Calibrations Ltd., a gas meter calibration business certified by Measurement Canada, located at Ile des Chênes, Manitoba.

### **HEALTH, SAFETY AND ENVIRONMENT**

TransCanada is committed to providing a safe and healthy environment for its employees and the public, and to the protection of the environment. Health, safety and environment ("*HS&E*") is a priority in all of TransCanada's operations. The HS&E Committee of TransCanada's Board of Directors ("*Board*") monitors compliance with the TransCanada HS&E corporate policy through regular reporting by TransCanada's department of Community, Safety & Environment.

TransCanada's senior executives are also committed to ensuring TransCanada is in compliance with its policies and is an industry leader. Senior executives are regularly advised of all important operational issues and initiatives relating to HS&E by way of a formal reporting process. In addition, TransCanada's management system and performance in the HS&E area are assessed by an independent outside firm every three years or more often if the HS&E Committee requests it. The most recent assessment was completed by PricewaterhouseCoopers in January 2004. These assessments involve senior executive interviews, review of policies and objectives, performance measurement and reporting.

TransCanada has an HS&E management system modeled after elements of the International Organization for Standardization's standard for environmental management systems which is known as ISO 14001, to facilitate the focus of resources on the areas of greatest risk to the organization's business activities relating to HS&E. The system highlights opportunities for improvement, enables TransCanada to work towards defined HS&E expectations and objectives, and provides a competitive business advantage. HS&E outside, independent assessments, management system assessments and planned inspections are used to assess both the effectiveness of implementation of HS&E programs, processes and procedures, and TransCanada's compliance with regulatory requirements.

TransCanada employs full-time staff dedicated to HS&E matters, and incorporates HS&E policies and principles into the planning, development, construction and operation of all its projects. Environmental protection requirements have not had a material impact on the capital expenditures of TransCanada to date; however, there can be no assurance that such requirements will not have a material impact on TransCanada's financial or operating results in future years. Such

requirements can be dependent on a variety of factors including the regulatory environment in which TransCanada operates.

### **Environment**

Climate change is a strategic issue for TransCanada. In Canada, TransCanada's fossil fuelled power plants, pipeline assets and carbon black facilities are expected to be covered under legislation for large final emitters. While the broad elements of the proposed regulations to reduce greenhouse gas emissions intensities from large industrial emitters have been established, key policy elements remain outstanding including details of compliance options that entities may use to fulfill compliance obligations. At this time, it is difficult to determine the level of impact to TransCanada's Canadian assets until these and other key policy elements have been defined.

In 2006, TransCanada will continue with its strategy for managing the climate change issue. This strategy includes activities such as:

- energy conservation through improvements to overall system efficiency;
- conducting research and development work designed to reduce greenhouse gas emissions;
- gaining experience with flexible market mechanisms;
- participation in government-led policy forums; and
- taking part in public awareness initiatives and education programs focused on climate change and air quality issues.

In addition to these activities, TransCanada also ensures that the potential business risks and opportunities posed by increasing environmental priorities are considered when making decisions regarding TransCanada's businesses.

### **LEGAL PROCEEDINGS**

The Canadian Alliance of Pipeline Landowners' Association and two individual landowners have commenced an action under Ontario's *Class Proceedings Act*, 1992, against TransCanada and Enbridge Inc. for damages of \$500 million alleged to arise from the creation of a control zone within 30 metres of the pipeline pursuant to section 112 of the *National Energy Board Act*. TransCanada believes the claim is without merit and will vigorously defend the action. TransCanada has made no provision for any potential liability. Any liability would be dealt with through the regulatory process.

TransCanada and its subsidiaries are subject to various other legal proceedings and actions arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of TransCanada's management that the resolution of such proceedings and actions will not have a material impact on TransCanada's consolidated financial position or results of operations.

### **TRANSFER AGENT AND REGISTRAR**

TransCanada's transfer agent and registrar is Computershare Trust Company of Canada with transfer facilities in the Canadian cities of Vancouver, Calgary, Winnipeg, Toronto, Montréal and Halifax.

### **INTEREST OF EXPERTS**

TransCanada's auditor is KPMG LLP ("*External Auditor*") and as of February 27, 2006, the partners of the External Auditor have advised that they do not beneficially own, directly or indirectly, any securities of TransCanada. TransCanada collects this information from the External Auditor but otherwise has no direct knowledge of individual holdings of its securities.

## RISK FACTORS

A number of factors, including but not limited to those discussed in this section, could cause actual results or events to differ materially from current expectations.

### Gas Transmission

TransCanada faces competition in its gas transmission business at both the supply and market ends of its systems. The competition is a result of other pipelines accessing an increasingly mature western Canadian sedimentary basin and serving some of the same markets as TransCanada. In addition, the continued expiration of firm transportation contracts has resulted in significant reductions in firm contracted capacity on both the Canadian Mainline and Alberta System. As well, regulatory decisions continue to have significant impact on the financial returns for and future investments in TransCanada's Canadian wholly-owned pipelines.

Further information about risks in TransCanada's natural gas transmission business can be found under the headings "Gas Transmission – Opportunities and Developments" and "Gas Transmission – Business Risks" in the MD&A.

### Power

TransCanada's power business can be affected by a variety of factors including competition from other market participants, fluctuating market demand, weather, reliance on the supply of feed stocks such as natural gas, water, coal and uranium, fluctuating feed stock prices, fluctuating electricity prices, unexpected outages, third party power plant operator performance, power transmission disruptions and regulatory changes and influences.

Further information about competition risks in TransCanada's power business can be found under the headings "Power – Opportunities and Developments" and "Power – Business Risks" in the MD&A.

In addition, Bruce A and Bruce B, in which TransCanada holds material interests, are subject to risks related to the operation and maintenance of nuclear power generating facilities, including risks relating to the use, handling, containment and storage of radioactive materials; limitation on the amounts and types of insurance that are commercially available to cover any related liabilities that may arise from these operations; changes in and varying interpretations of the extensive federal regulations that apply to Bruce A's and Bruce B's nuclear operations; modifications needed to meet increasing security requirements; and repairs, modifications, replacements and outages that may be necessitated as a result of testing and inspection programs which, themselves, may need to be enhanced in coming years to improve operations or satisfy increasing regulatory or other requirements.

### Other

Further information about TransCanada's risk management activities can be found under the heading "Risk Management" in the MD&A.

## DIVIDENDS

TransCanada's Board of Directors has not adopted a formal dividend policy. The Board reviews the financial performance of TransCanada quarterly and makes a determination of the appropriate level of dividends to be declared in the following quarter. Currently, TransCanada's payment of dividends on its common shares is funded from dividends TransCanada receives as the sole common shareholder of TCPL. Provisions of various trust indentures and credit arrangements to which TCPL is a party, restrict TCPL's ability to declare and pay dividends to TransCanada under certain circumstances and, if such restrictions apply, they may, in turn, have an impact on TransCanada's ability to declare and pay dividends on its common shares. In the opinion of TransCanada management, such provisions do not restrict or alter TransCanada's ability to declare or pay dividends.

The dividends declared per common share of TransCanada during the past three completed financial years are set forth in the following table:

	2005	2004	2003
Dividends declared on common shares <sup>(1)</sup>	\$1.22	\$1.16	\$1.08

<sup>(1)</sup> Prior to May 15, 2003, dividends were paid by TCPL.

## DESCRIPTION OF CAPITAL STRUCTURE

### Share Capital

TransCanada's authorized share capital consists of an unlimited number of common shares, of which approximately 487,235,725 were issued and outstanding at Year End, and an unlimited number of first preferred shares and second preferred shares issuable in series, of which none are outstanding. The following is a description of the material characteristics of each of these classes of shares.

#### Common Shares

The common shares entitle the holders thereof to one vote per share at all meetings of shareholders, except meetings at which only holders of another specified class of shares are entitled to vote, and, subject to the rights, privileges, restrictions and conditions attaching to the first preferred shares and the second preferred shares, whether as a class or a series, and to any other class or series of shares of TransCanada which rank prior to the common shares, entitle the holders thereof to receive (i) dividends if, as and when declared by the Board out of the assets of TransCanada properly applicable to the payment of the dividends in such amount and payable at such times and at such place or places as the Board may from time to time determine and (ii) the remaining property of TransCanada upon a dissolution.

#### First Preferred Shares

Subject to certain limitations, the Board may, from time to time, issue first preferred shares in one or more series and determine for any such series, its designation, number of shares and respective rights, privileges, restrictions and conditions. The first preferred shares as a class, have, among others, provisions to the following effect.

The first preferred shares of each series shall rank on a parity with the first preferred shares of every other series, and shall be entitled to preference over the common shares, the second preferred shares and any other shares ranking junior to the first preferred shares with respect to the payment of dividends, the repayment of capital and the distribution of assets of TransCanada in the event of a liquidation, dissolution or winding up of TransCanada.

Except as provided by the *Canada Business Corporations Act* or as referred to below, the holders of the first preferred shares will not have any voting rights nor will they be entitled to receive notice of or to attend shareholders' meetings. The holders of any particular series of first preferred shares will, if the directors so determine prior to the issuance of such series, be entitled to such voting rights as may be determined by the directors if TransCanada fails to pay dividends on that series of preferred shares for any period as may be so determined by the directors.

The provisions attaching to the first preferred shares as a class may be modified, amended or varied only with the sanction of the holders of the first preferred shares as a class. Any such sanction to be given by the holders of the first preferred shares may be given by the affirmative vote of the holders of not less than 66 $\frac{2}{3}$  per cent of the first preferred shares represented and voted at a meeting or adjourned meeting of such holders.

#### Second Preferred Shares

The rights, privileges, restrictions and conditions attaching to the second preferred shares are substantially identical to those attaching to the first preferred shares, except that the second preferred shares are junior to the first preferred shares with respect to the payment of dividends, repayment of capital and the distribution of assets of TransCanada in the event of a liquidation, dissolution or winding up of TransCanada.

## CREDIT RATINGS

Although TransCanada has not issued debt, it has been assigned an issuer rating by Moody's Investors Service of A3 with a stable outlook. TransCanada does not presently intend to issue debt securities in its own name and future financing requirements are expected to continue to be funded through its subsidiary, TCPL. The following table sets out the credit ratings assigned to those outstanding classes of securities of TCPL which have been rated:

Overall	DBRS	Moody's	S&P
Senior Secured Debt <i>First Mortgage Bonds</i>	A	A2	A
Senior Unsecured Debt <i>Debentures</i> <i>Medium-term Notes</i>	A A	A2 A2	A- A-
Subordinated Debt	A (low)	A3	BBB+
Junior Subordinated Debt	Pfd-2	A3	BBB
Preferred Shares	Pfd-2 (low)	Baa1	BBB
Commercial Paper	R-1 (low)	P-1	-
Trend/Rating Outlook	Stable	Stable	Negative

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. A description of the rating agencies' credit ratings listed in the table above is set out below.

### Dominion Bond Rating Service (DBRS)

DBRS has different rating scales for short and long-term debt and preferred shares. "High" or "low" grades are used to indicate the relative standing within a rating category. The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. The R-1 (low) rating assigned to TCPL's short-term debt is the third highest of ten rating categories and indicates satisfactory credit quality. The overall strength and outlook for key liquidity, debt and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry. The A ratings assigned to TCPL's senior secured and senior unsecured debt and the A (low) rating assigned to its subordinated debt are the third highest of ten categories for long-term debt. Long-term debt rated A is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of AA rated entities. While a respectable rating, entities in the A category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated entities. The Pfd-2 and Pfd-2 (low) ratings assigned to TCPL's junior subordinated debt and preferred shares are the second highest of six rating categories for preferred shares. Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is still substantial; however, earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies.



**Moody's Investor Services (Moody's)**

Moody's has different rating scales for short and long-term obligations. Numerical modifiers 1, 2 and 3 are applied to each rating classification, with 1 being the highest and 3 being the lowest. The P-1 rating assigned to TCPL's short-term debt is the highest of four rating categories and indicates a superior ability to repay short-term debt obligations. The A2 ratings assigned to TCPL's senior secured and senior unsecured debt and the A3 ratings assigned to its subordinated debt and junior subordinated debt are the third highest of nine rating categories for long-term obligations. Obligations rated A are considered upper-medium grade and are subject to low credit risk. The Baa1 rating assigned to TCPL's preferred shares is the fourth highest of nine rating categories for long-term obligations. Obligations rated Baa are subject to moderate credit risk, are considered medium-grade, and as such, may possess certain speculative characteristics.

**Standard & Poor's (S&P)**

S&P has different rating scales for short and long-term obligations. Ratings may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within a particular rating category. The A and A- ratings assigned to TCPL's senior secured and senior unsecured debt, respectively, are the third highest of ten rating categories for long-term obligations. An A rating indicates the obligor's capacity to meet its financial commitment is strong; however, the obligation is somewhat susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. The BBB+ rating assigned to TCPL's subordinated debt and the BBB ratings assigned to its junior subordinated debt and preferred shares are the fourth highest of ten rating categories for long-term obligations. An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**MARKET FOR SECURITIES**

TransCanada's common shares are listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE"). The following table sets forth the reported monthly high and low closing prices and monthly trading volumes of the common shares of TransCanada on the TSX for the period indicated:

**Common Shares (TRP)**

Month	High (\$)	Low (\$)	Volume Traded
December, 2005	37.56	36.25	16,433,655
November, 2005	37.40	34.95	21,148,781
October, 2005	36.00	34.60	20,786,022
September, 2005	36.94	32.92	26,394,804
August, 2005	33.69	31.49	18,358,190
July, 2005	34.08	32.06	16,695,178
June, 2005	32.59	30.32	20,470,296
May, 2005	31.10	29.80	16,560,238
April, 2005	30.00	29.55	17,071,520
March, 2005	30.61	29.20	23,363,461
February, 2005	30.69	29.70	19,187,511
January, 2005	30.48	29.75	21,563,721

In addition, the following securities of TransCanada's subsidiary, TCPL, are listed on the markets specified:

- TCPL's Cumulative Redeemable First Preferred Shares, Series U and Series Y are listed on the TSX;
- TCPL's 8.25% preferred securities due 2047, are listed on the NYSE; and
- TCPL's 16.50% First Mortgage Pipe Line Bonds due 2007, are listed on the London Stock Exchange.

## DIRECTORS AND OFFICERS

As of February 27, 2006, the directors and officers of TransCanada as a group beneficially owned, directly or indirectly, have exercisable options to own, or exercised control or direction over, 2,334,652 common shares of TransCanada which constitutes less than one per cent of TransCanada's common shares and less than one per cent of the voting securities of any of its subsidiaries or affiliates. TransCanada collects this information from its directors and officers but otherwise has no direct knowledge of individual holdings of its securities. Further information as to securities beneficially owned, or over which control or direction is exercised, is provided in TransCanada's Management Proxy Circular dated February 28, 2006 ("*Proxy Circular*") under the heading "Business to be Transacted at the Meeting – Election of Directors". See also "Additional Information" in this AIF.

### Directors

Set forth below are the names of the twelve directors who served on TransCanada's Board at Year End, together with their jurisdictions of residence, all positions and offices held by them with TransCanada and its significant affiliates, their principal occupations or employment during the past five years and the year from which each director has continually served as a director of TransCanada and, prior to the arrangement, with TCPL. Positions and offices held with TransCanada are also held by such person at TCPL.

Name and Place of Residence	Principal Occupation During the Five Preceding Years	Director Since
Douglas D. Baldwin Calgary, Alberta Canada	Chairman, Talisman Energy Inc., (oil and gas) since May 2003. President and Chief Executive Officer, TCPL, from August 1999 to April 2001. Director, Citadel Group of Funds. Member, Board of Governors, University of Calgary.	1999
Kevin E. Benson <sup>(1)</sup> Wheaton, Illinois United States	President and Chief Executive Officer, Laidlaw International, Inc. (transportation services) since June 2003, and Laidlaw, Inc. from September 2002 to June 2003. President and Chief Executive Officer, The Insurance Corporation of British Columbia from December 2001 until September 2002. President, The Pattison Group from April 2000 to February 2001. Director, Laidlaw International, Inc.	2005
Derek H. Burney, O.C. Ottawa, Ontario Canada	Corporate Director. President and Chief Executive Officer, CAE Inc. (technology) from October 1999 to August 2004. Lead director at Quebecor World Inc. (communications and media) from April 2003 to November 2005. Director, CanWest Global Communications Corp., Chair, New Brunswick Power Corporation and Lead Director, Shell Canada Limited.	2005
Wendy K. Dobson Uxbridge, Ontario Canada	Professor, Rotman School of Management and Director, Institute for International Business, University of Toronto (education). Director, Toronto-Dominion Bank. Vice Chair, Canadian Public Accountability Board.	1992
E. Linn Draper, Jr. Lampasas, Texas United States	Corporate Director. Chairman, President and Chief Executive Officer of Columbus, Ohio-based American Electric Power Co., Inc. from April 1993 to April 2004. Director, Alliance Data Systems Corporation, Alpha Natural Resources, Inc. and Temple-Inland Inc. Chair of NorthWestern Corporation.	2005

<b>Name and Place of Residence</b>	<b>Principal Occupation During the Five Preceding Years</b>	<b>Director Since</b>
The Hon. Paule Gauthier, P.C., O.C., O.Q., Q.C. Québec, Québec Canada	Senior Partner, Desjardins Ducharme L.L.P. (law firm). President, Institut Québécois des Hautes Études Internationales, Laval University. Director, Royal Bank of Canada, Rothmans Inc., Metro Inc. and RBC Dexia Investor Services Trust.	2002
Kerry L. Hawkins Winnipeg, Manitoba Canada	Corporate Director. President, Cargill Limited (agricultural) from September 1982 to December 2005. Director, NOVA Chemicals Corporation and Shell Canada Limited.	1996
S. Barry Jackson Calgary, Alberta Canada	Corporate Director. Chairman, Resolute Energy Inc. (oil and gas) from January 2002 to April 2005 and Chairman, Deer Creek Energy Limited (oil and gas) from April 2001 to September 2005. Director, Nexen Inc., Cordero Energy Inc. and privately held Larincina Energy Ltd.	2002
Paul L. Joskow Brookline, Massachusetts United States	Professor, Department of Economics, Massachusetts Institute of Technology (MIT) (education). Director of the MIT Center for Energy and Environmental Policy Research. Director, National Grid PLC and trustee, Putnam Mutual Funds.	2004
Harold N. Kvisle Calgary, Alberta Canada	President and Chief Executive Officer, TransCanada since May 2003 and TCPL since May 2001. Executive Vice-President, Trading and Business Development, TCPL, from June 2000 to April 2001. Director, PrimeWest Energy Inc. and Bank of Montreal. Chair, Mount Royal College.	2001
David P. O'Brien <sup>(2)</sup> Calgary, Alberta Canada	Chairman and Chief Executive Officer, PanCanadian Energy Corporation (oil and gas) from October 2001 to April 2002. Chairman, President and Chief Executive Officer, Canadian Pacific Limited (transportation, energy and hotels) from May 1996 to October 2001. Chair, EnCana Corporation (oil and gas) since April 2002 and Chair, Royal Bank of Canada (banking) since February 2004. Director, Fairmont Hotels & Resorts Inc., Inco Limited, Molson Coors Brewing Company, and the not for profit C.D. Howe Institute. Chancellor, Concordia University.	2001
Harry G. Schaefer, F.C.A. Calgary, Alberta Canada	President, Schaefer & Associates (business advisory services). Vice-Chairman of the Board, TransCanada since May 2003 and TCPL since June 1998. Director, Agrium Inc. and Fording Canadian Coal Trust.	1987

<sup>(1)</sup> Mr. Benson was President and Chief Executive Officer of Canadian Airlines International Ltd. from July 1996 to February 2000. Canadian Airlines International Ltd. filed for protection under the *Companies' Creditors Arrangement Act* (Canada) and applicable bankruptcy protection statutes in the United States on March 24, 2000.

<sup>(2)</sup> Mr. O'Brien was a director of Air Canada on April 1, 2003 when Air Canada filed for protection under the *Companies' Creditors Arrangement Act* (Canada). Mr. O'Brien resigned as a director from Air Canada in November 2003.

Each director holds office until the next annual meeting or until his or her successor is earlier elected or appointed. Mr. Jackson was designated as the Chair of the Board on April 29, 2005, Mr. Draper was appointed to the Board on June 15, 2005 and Mr. Burney was appointed to the Board on September 8, 2005. Mr. W. Thomas Stephens, a TransCanada director since April 1999, resigned from the Board on August 12, 2005.

## Officers

All of the executive officers and corporate officers of TransCanada reside in Calgary, Alberta, Canada. References to positions and offices with TransCanada prior to May 15, 2003 are references to the positions and offices held with TCPL. Current positions and offices held with TransCanada are also held by such person at TCPL. As of the date hereof, the officers of TransCanada, their present positions within TransCanada and their principal occupations during the five preceding years are as follows:

### Executive Officers

<b>Name</b>	<b>Present Position Held</b>	<b>Principal Occupation During the Five Preceding Years</b>
Harold N. Kvisle	President and Chief Executive Officer	Prior to April 2001, Executive Vice-President, Trading and Business Development.
Albrecht W.A. Bellstedt, Q.C. <sup>(1)</sup>	Executive Vice-President, Law and General Counsel and Chief Compliance Officer	Prior to September 2005, Executive Vice-President, Law and General Counsel.
Russell K. Girling	Executive Vice-President, Corporate Development and Chief Financial Officer	Prior to March 2003, Executive Vice-President and Chief Financial Officer.
Dennis J. McConaghy	Executive Vice-President, Gas Development	Prior to May 2001, Senior Vice-President, Business Development.
Alexander J. Pourbaix	Executive Vice-President, Power	Executive Vice-President, Power Development, May 2001 to March 2003. Prior to May 2001, Senior Vice-President, Power Ventures.
Sarah E. Raiss	Executive Vice-President, Corporate Services	Prior to January 2002, Executive Vice-President, Human Resources and Public Sector Relations.
Ronald J. Turner	Executive Vice-President, Gas Transmission	Prior to March 2003, Executive Vice-President, Operations and Engineering.
Donald M. Wishart	Executive Vice-President, Operations and Engineering	Prior to March 2003, Senior Vice-President, Field Operations.

<sup>(1)</sup> Mr. Bellstedt, who served as a trustee of Atlas Cold Storage Income Trust, was subject to an Ontario Securities Commission cease trade order issued in respect of all insiders of Atlas Cold Storage Income Trust on December 2, 2003 which arose because of late filed financial statements required to reflect certain re-statements. The cease trade order was rescinded in January 2004.

*Corporate Officers*

<b>Name</b>	<b>Present Position Held</b>	<b>Principal Occupation During the Five Preceding Years</b>
Ronald L. Cook	Vice-President, Taxation	Prior to April 2002, Director, Taxation.
Rhondda E.S. Grant	Vice-President, Communications and Corporate Secretary	Prior to February 2005, Vice-President and Corporate Secretary.
Lee G. Hobbs	Vice-President and Controller	Prior to July 2001, Director, Accounting.
Garry E. Lamb	Vice-President, Risk Management	Prior to October 2001, Vice-President, Audit and Risk Management.
Donald R. Marchand	Vice-President, Finance and Treasurer	Vice-President, Finance and Treasurer

**CORPORATE GOVERNANCE**

The Board and the members of TransCanada's management are committed to the highest standards of corporate governance. TransCanada's corporate governance practices comply with the governance rules of the Canadian Securities Administrators ("CSA"), those of the NYSE applicable to foreign issuers and of the U.S. Securities and Exchange Commission ("SEC"), and those mandated by the United States *Sarbanes-Oxley Act of 2002* ("SOX"). As a non-U.S. company, TransCanada is not required to comply with most of the NYSE corporate governance listing standards; however, except as summarized on its website at [www.transcanada.com](http://www.transcanada.com), the governance practices followed are in compliance with the NYSE standards for U.S. companies in all significant respects. TransCanada is in compliance with the CSA's Multilateral Instrument 52-110 pertaining to audit committees. TransCanada is also in compliance with National Policy 58-201, Corporate Governance Guidelines, and National Instrument 58-101, Disclosure of Corporate Governance Practices (collectively, the "*Canadian Governance Guidelines*"). In 2005, the Canadian Governance Guidelines came into effect and for purposes of the TSX replaced the TSX Corporate Governance Guidelines.

**Audit Committee**

TransCanada has an Audit Committee which is responsible for assisting the Board in overseeing the integrity of TransCanada's financial statements and compliance with legal and regulatory requirements and in ensuring the independence and performance of TransCanada's internal and external auditors. The members of the Audit Committee at Year End were Harry G. Schaefer (Chair), Douglas D. Baldwin, Kevin E. Benson, Paule Gauthier and Paul L. Joskow. Mr. Jackson is a non-voting member of the Audit Committee.

The Board believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be "independent" and "financially literate" within the meaning of the definitions under Canadian and U.S. securities laws and the NYSE rules. In addition, the Board has determined that Mr. Schaefer is an "Audit Committee Financial Expert" as that term is defined under U.S. securities laws. The Board has made these determinations based on the education and breadth and depth of experience of each member of the Audit Committee. The following is a description of the education and experience, apart from their respective roles as directors of TransCanada, of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee:

Mr. Schaefer earned a Bachelor of Commerce from the University of Alberta, is a Chartered Accountant and is a Fellow of the Canadian Institute of Chartered Accountants. He serves on and has served on the boards of several public companies and other organizations, including as Chairman of the Alberta Chapter of the Institute of Corporate

Directors, and on the audit committees of certain of those boards. Mr. Schaefer has also held several executive positions with public companies. He is currently Chair of the Audit Committee and of the audit committees of two other public companies.

Mr. Baldwin earned a Bachelor of Science in Chemical Engineering from the University of Saskatchewan. He has served on the boards of several public companies and other organizations and on the audit committees of certain of those boards. Mr. Baldwin has also held the position of President and Chief Executive Officer of TCPL and other senior executive positions with Imperial Oil Limited and Esso Resources Canada Limited. Mr. Baldwin will retire from the Board at the Annual Meeting of Shareholders to be held on April 28, 2006.

Mr. Benson earned a Bachelor of Accounting from the University of Witwatersrand (South Africa) and was a member of the South African Society of Chartered Accountants. Mr. Benson is the President and Chief Executive Officer of Laidlaw International, Inc. In prior years, he has held several executive positions including one as President and Chief Executive Officer of Canadian Airlines International Ltd. and has served on other public company boards.

Mme. Gauthier earned a Bachelor of Arts from the Collège Jésus-Marie de Sillery, a Bachelor of Laws from Laval University and a Master of Laws in Business Law (Intellectual Property) from Laval-University. She has served on the boards of several public companies and other organizations and on the audit committees of certain of those boards.

Mr. Joskow earned a Bachelor of Arts with Distinction in Economics from Cornell University, a Masters of Philosophy in Economics from Yale University, and Ph.D. in Economics from Yale University. He has served on the boards of several public companies and other organizations and on the audit committees of certain of those.

The Charter of the Audit Committee can be found in Schedule "B" of this AIF and on TransCanada's website under the Corporate Governance – Board Committees page, at the link specified above under the heading "Corporate Governance".

#### ***Pre-Approval Policies and Procedures***

TransCanada's Audit Committee has adopted a pre-approval policy with respect to permitted non-audit services. Under the policy, the Audit Committee has granted pre-approval for specified non-audit services. For engagements of \$25,000 or less which are not within the annual pre-approved limit approval by the Audit Committee is not required, and for engagements between \$25,000 and \$100,000, approval of the Audit Committee chair is required, and in both instances the Audit Committee is to be informed of the engagement at the next scheduled Audit Committee meeting. For all engagements of \$100,000 or more, pre-approval of the Audit Committee is required. In all cases, regardless of the dollar amount involved, where there is a potential for conflict of interest involving the external auditor on an engagement, the Audit Committee chair must pre-approve the assignment.

To date, TransCanada has not approved any non-audit services on the basis of the de-minimis exemptions. All non-audit services have been pre-approved by the Audit Committee in accordance with the pre-approval policy described above.

**External Auditor Service Fees**

The aggregate fees for external auditor services rendered by the External Auditor for TransCanada and its subsidiaries in each of 2005 and 2004 fiscal years, are shown in the table below:

Fee Category	2005	2004	Description of Fee Category
	(millions of dollars)		
Audit Fees	<b>3.15</b>	2.50	Aggregate fees for audit services rendered by TransCanada's External Auditor for the audit of TransCanada's and its subsidiaries' annual financial statements or services provided in connection with statutory and regulatory filings or engagements, the review of interim consolidated financial statements and information contained in various prospectuses and other offering documents.
Audit Related Fees	<b>0.11</b>	0.06	Aggregate fees for assurance and related services rendered by TransCanada's External Auditor that are reasonably related to performance of the audit or review of TransCanada's financial statements and are not reported as Audit Fees. The nature of services comprising these fees related to the audit of the financial statements of TransCanada's various pension plans.
Tax Fees	<b>0.12</b>	0.06	Aggregate fees rendered by TransCanada's External Auditor for tax compliance and tax advice. The nature of these services consisted of: tax compliance including the review of Canadian and U.S. income tax returns; and tax items and tax services related to domestic and international taxation including income tax, capital tax and Goods and Services Tax.
All Other Fees	<b>0.14</b>	0.05	Aggregate fees for products and services other than those reported in this table above rendered by TransCanada's External Auditor. The nature of these services consisted of advice with respect to TransCanada's compliance with SOX.
Total	<b>3.52</b>	2.67	

**Other Board Committees**

In addition to the Audit Committee, TransCanada has three other Board committees: the Governance Committee, the Health, Safety and Environment Committee and the Human Resources Committee. Mr. Jackson, the Chair of the Board, sits on each of Board's committees as a non-voting member. The voting members of each of these committees, as of Year End, are identified below:

**Governance Committee**

Chair: W.K. Dobson  
 Members: D.H. Burney  
 P.L. Joskow  
 D.P. O'Brien  
 H.G. Schaefer

**Health, Safety & Environment Committee**

Chair: D.D. Baldwin  
 Members: E.L. Draper  
 P. Gauthier  
 K.L. Hawkins

**Human Resources Committee**

Chair: K.L. Hawkins  
 Members: W.K. Dobson  
 E.L. Draper  
 D.P. O'Brien

The charters of the Governance Committee, the Health, Safety & Environment Committee and the Human Resources Committee are attached as Schedules "C", "D" and "E", respectively, and can be found on TransCanada's website under the Corporate Governance – Board Committees page at the link specified below.

Further information about TransCanada's Board committees and corporate governance can be found in the Proxy Circular under the heading "Corporate Governance" or on TransCanada's website located at: [http://www.transcanada.com/company/board\\_committees.html](http://www.transcanada.com/company/board_committees.html).

### **Conflicts of Interest**

The Board and members of TransCanada's management are not aware of any existing or potential material conflicts of interest between TransCanada or a subsidiary and any director or officer of TransCanada or its subsidiary. Directors and officers of TransCanada and its subsidiaries are required to disclose the existence of existing or potential conflicts in accordance with TransCanada policies governing directors and officers and in accordance with the *Canada Business Corporations Act*. If a director or officer has such a conflict, TransCanada requires that the director or officer absent himself or herself from any discussion or voting relating to the matter giving rise to the material existing or potential conflict.

### **ADDITIONAL INFORMATION**

1. Additional information in relation to TransCanada may be found under TransCanada's profile on SEDAR at [www.sedar.com](http://www.sedar.com).
2. Additional information including directors' and officers' remuneration and indebtedness, principal holders of TransCanada's securities and securities authorized for issuance under equity compensation plans (all where applicable), is contained in TransCanada's Proxy Circular for its most recent annual meeting of shareholders that involved the election of directors and can be obtained upon request from the Corporate Secretary of TransCanada.
3. Additional financial information is provided in TransCanada's audited consolidated financial statements and MD&A for its most recently completed financial year.



## GLOSSARY

AIF	Annual Information Form of TransCanada Corporation dated February 27, 2006	HS&E	Health, Safety and Environment
Alberta System	A natural gas transmission system throughout the province of Alberta	Iroquois System	A natural gas pipeline system in New York
Annual Report	TransCanada's Annual Report to Shareholders for the year ended, December 31, 2005	LNG	Liquefied Natural Gas
APG	Aboriginal Pipeline Group or Mackenzie Valley Aboriginal Pipeline Limited Partnership	Mackenzie Producers	Mackenzie Delta Producers Group
Bcf	Billion cubic feet	MD&A	TransCanada's Management's Discussion and Analysis dated February 27, 2006
BC System	A natural gas transmission system in southeastern B.C.	MW	Megawatts
Bécancour Plant	A power plant near Trois-Rivières, Québec	NBPL	Northern Border Pipeline
Board	TransCanada's Board of Directors	NEB	National Energy Board
Bruce A	Bruce Power A L.P.	NEGT	National Energy & Gas Transmission, Inc.
Bruce B	Bruce Power L.P.	NGTL	NOVA Gas Transmission Ltd.
Canadian Mainline	A natural gas pipeline system running from the Alberta border east to delivery points in eastern Canada and along the U.S. border	Northern Border Pipeline	Northern Border Pipeline Company
CSA	Canadian Securities Administrators	NYSE	New York Stock Exchange
EUB	Alberta Energy and Utilities Board	OPG	Ontario Power Generation Inc.
External Auditor	KPMG LLP	Power LP	TransCanada Power, L.P.
FERC	Federal Energy Regulatory Commission (USA)	Proxy Circular	TransCanada's Management Proxy Circular dated February 28, 2006
Foothills	Foothills Pipe Lines Ltd.	SEC	U.S. Securities and Exchange Commission
Foothills System	A natural gas pipeline system in southeastern B.C., southern Alberta and southwestern Saskatchewan	Shell	Shell US Gas & Power LLC
Grandview Plant	A power plant in Saint John, New Brunswick	SOX	U.S. <i>Sarbanes-Oxley Act</i> of 2002
Great Lakes System	A natural gas pipeline system in the north central U.S., roughly parallel to the Canada-U.S. Border	Tcf	Trillion cubic feet
		TCPL	TransCanada PipeLines Limited
		TQM	Trans Québec & Maritimes Pipeline Inc.
		TQM System	A natural gas pipeline system in southeastern Québec
		TransCanada	TransCanada Corporation
		TSX	Toronto Stock Exchange
		Tuscarora	Tuscarora Gas Transmission Company
		USGen	US Gen New England, Inc.
		Year End	December 31, 2005

**SCHEDULE "A"****Exchange Rate of the Canadian Dollar**

All dollar amounts in the AIF are in Canadian dollars, except where otherwise indicated. The following table shows the yearly high and low noon rates, the yearly average noon rates and the year-end noon spot rates for the U.S. dollar for the past five years, each expressed in Canadian dollars, as reported by the Bank of Canada.

	Year Ended				
	2005	2004	2003	2002	2001
Yearly High Noon Rate	<b>1.2704</b>	1.3968	1.5747	1.6021	1.5593
Yearly Low Noon Rate	<b>1.1507</b>	1.1774	1.2924	1.4936	1.4341
Yearly Average Noon Rate	<b>1.2116</b>	1.3016	1.4014	1.5484	1.4852
Year-End Noon Rate	<b>1.1659</b>	1.2036	1.2924	1.5926	1.5002

On February 27, 2006, the noon rate for the U.S. dollar as reported by the Bank of Canada was US \$1.00 = Cdn. \$1.1420.

**Metric Conversion Table**

The conversion factors set out below are approximate factors. To convert from Metric to Imperial multiply by the factor indicated. To convert from Imperial to Metric divide by the factor indicated.

Metric	Imperial	Factor
Kilometres	Miles	0.62
Millimetres	Inches	0.04
Gigajoules	Million British thermal units	0.95
Cubic metres*	Cubic feet	35.3
Kilopascals	Pounds per square inch	0.15
Degrees Celsius	Degrees Fahrenheit	to convert to Fahrenheit multiply by 1.8, then add 32 degrees; to convert to Celsius subtract 32 degrees, then divide by 1.8

\* The conversion is based on natural gas at a base pressure of 101.325 kilopascals and at a base temperature of 15 degrees Celsius.

**SCHEDULE "B"****CHARTER OF  
THE AUDIT COMMITTEE****1. Purpose**

The Audit Committee shall assist the Board of Directors (the "Board") in overseeing and monitoring, among other things, the:

- Company's financial accounting and reporting process;
- integrity of the financial statements;
- Company's internal control over financial reporting;
- external financial audit process;
- compliance by the Company with legal and regulatory requirements; and
- independence and performance of the Company's internal and external auditors.

To fulfill its purpose, the Audit Committee has been delegated certain authorities by the Board of Directors that it may exercise on behalf of the Board.

**2. Roles and Responsibilities****I. Appointment of the Company's External Auditors**

Subject to confirmation by the external auditors of their compliance with Canadian and U.S. regulatory registration requirements, the Audit Committee shall recommend to the Board the appointment of the external auditors, such appointment to be confirmed by the Company's shareholders at each annual meeting. The Audit Committee shall also recommend to the Board the compensation to be paid to the external auditors for audit services and shall pre-approve the retention of the external auditors for any permitted non-audit service and the fees for such service. The Audit Committee shall also be directly responsible for the oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external auditor shall report directly to the Audit Committee.

The Audit Committee shall also receive periodic reports from the external auditors regarding the auditors' independence, discuss such reports with the auditors, consider whether the provision of non-audit services is compatible with maintaining the auditors' independence and the Audit Committee shall take appropriate action to satisfy itself of the independence of the external auditors.

**II. Oversight in Respect of Financial Disclosure**

The Audit Committee, to the extent it deems it necessary or appropriate, shall:

- a) review, discuss with management and the external auditors and recommend to the Board for approval, the Company's audited annual financial statements, annual information form including management discussion and analysis, all financial statements in prospectuses and other offering memoranda, financial statements required by regulatory authorities, all prospectuses and all documents which may be incorporated by reference into a prospectus, including without limitation, the annual proxy circular, but excluding any pricing supplements issued under a medium term note prospectus supplement of the Company;

- b) review, discuss with management and the external auditors and recommend to the Board for approval the release to the public of the Company's interim reports, including the financial statements, management discussion and analysis and press releases on quarterly financial results;
- c) review and discuss with management and external auditors the use of "pro forma" or "adjusted" non-GAAP information and the applicable reconciliation;
- d) review and discuss with management and external auditors financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The Audit Committee need not discuss in advance each instance in which the Company may provide earnings guidance or presentations to rating agencies;
- e) review annual and quarterly financial statements and annual disclosure documents of NOVA Gas Transmission Ltd. ("NGTL");
- f) review with management and the external auditors major issues regarding accounting and auditing principles and practices, including any significant changes in the Company's selection or application of accounting principles, as well as major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies that could significantly affect the Company's financial statements;
- g) review and discuss quarterly reports from the external auditors on:
  - i) all critical accounting policies and practices to be used;
  - ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor;
  - iii) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences;
- h) review with management and the external auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements;
- i) review with management, the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;
- j) review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the periodic reports filed with securities regulators about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls;
- k) discuss with management the Company's material financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies;

### **III. Oversight in Respect of Legal and Regulatory Matters**

- a) review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

**IV. Oversight in Respect of Internal Audit**

- a) review the audit plans of the internal auditors of the Company including the degree of coordination between such plan and that of the external auditors and the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts;
- b) review the significant findings prepared by the internal auditing department and recommendations issued by the Company or by any external party relating to internal audit issues, together with management's response thereto;
- c) review compliance with the Company's policies and avoidance of conflicts of interest;
- d) review the adequacy of the resources of the internal auditor to ensure the objectivity and independence of the internal audit function, including reports from the internal audit department on its audit process with associates and affiliates;
- e) ensure the internal auditor has access to the Chair of the Audit Committee and of the Board and to the Chief Executive Officer and meet separately with the internal auditor to review with him any problems or difficulties he may have encountered and specifically:
  - i) any difficulties which were encountered in the course of the audit work, including restrictions on the scope of activities or access to required information, and any disagreements with management;
  - ii) any changes required in the planned scope of the internal audit; and
  - iii) the internal audit department responsibilities, budget and staffing;and to report to the Board on such meetings;
- f) bi-annually review officers' expenses and aircraft usage reports;

**V. Oversight in Respect of the External Auditors**

- a) review the annual post-audit or management letter from the external auditors and management's response and follow-up in respect of any identified weakness, inquire regularly of management and the external auditors of any significant issues between them and how they have been resolved, and intervene in the resolution if required;
- b) review the quarterly unaudited financial statements with the external auditors and receive and review the review engagement reports of external auditors on unaudited financial statements of the Company and NGTL;
- c) receive and review annually the external auditors' formal written statement of independence delineating all relationships between itself and the Company;
- d) meet separately with the external auditors to review with them any problems or difficulties the external auditors may have encountered and specifically:
  - i) any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management; and
  - ii) any changes required in the planned scope of the audit;and to report to the Board on such meetings;
- e) review with the external auditors the adequacy and appropriateness of the accounting policies used in preparation of the financial statements;
- f) meet with the external auditors prior to the audit to review the planning and staffing of the audit;

- g) receive and review annually the external auditors' written report on their own internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, and any steps taken to deal with such issues;
- h) review and evaluate the external auditors, including the lead partner of the external auditor team;
- i) ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;

**VI. Oversight in Respect of Audit and Non-Audit Services**

- a) pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:
  - i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than 5% of the total fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided;
  - ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - iii) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approvals has been delegated by the Audit Committee;
- b) approval by the Audit Committee of a non-audit service to be performed by the external auditor shall be disclosed as required under securities laws and regulations;
- c) the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to grant pre-approvals required by this subsection. The decisions of any member to whom authority is delegated to pre-approve an activity shall be presented to the Audit Committee at its first scheduled meeting following such pre-approval;
- d) if the Audit Committee approves an audit service within the scope of the engagement of the external auditor, such audit service shall be deemed to have been pre-approved for purposes of this subsection;

**VII. Oversight in Respect of Certain Policies**

- a) review and recommend to the Board for approval policy changes and program initiatives deemed advisable by management or the Audit Committee with respect to the Company's codes of business conduct and ethics;
- b) obtain reports from management, the Company's senior internal auditing executive and the external auditors and report to the Board on the status and adequacy of the Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible manner, in accordance with the Company's codes of business conduct and ethics;
- c) establish a non-traceable, confidential and anonymous system by which callers may ask for advice or report any ethical or financial concern, ensure that procedures for the receipt, retention and treatment of complaints in respect of accounting, internal controls and auditing matters are in place, and receive reports on such matters as necessary;
- d) annually review and assess the adequacy of the Company's public disclosure policy;
- e) review and approve the Company's hiring policies for employees or former employees of the external auditors (recognizing the Sarbanes-Oxley Act of 2002 does not permit the CEO, controller, CFO or chief

accounting officer to have participated in the Company's audit as an employee of the external auditors' during the preceding one-year period) and monitor the Company's adherence to the policy;

#### **VIII. Oversight in Respect of Pension Matters**

- a) consider and in accordance with regulatory requirements approve any changes in the Company's pension plans having to do with financial matters after consultation with the Human Resources Audit Committee in respect of any effect such a change may have on pension benefits;
- b) review and consider financial and investment reports relating to the Company's pension plans;
- c) appoint and terminate the engagement of investment managers with respect to the Company's pension plans;
- d) receive, review and report to the Board on the actuarial valuation and funding requirements for the Company's pension plans;

#### **IX. Oversight in Respect of Internal Administration**

- a) review annually the reports of the Company's representatives on certain audit committees of subsidiaries and affiliates of the Company and any significant issues and auditor recommendations concerning such subsidiaries and affiliates;
- b) review the succession plans in respect of the Chief Financial Officer, the Vice President, Risk Management and the Director, Internal Audit;
- c) review and approve guidelines for the Company's hiring of employees or former employees of the external auditors who were engaged on the Company's account;

#### **X. Oversight Function**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Audit Committee, its Chair and any of its members who have accounting or related financial management experience or expertise, are members of the Board, appointed to the Audit Committee to provide broad oversight of the financial disclosure, financial risk and control related activities of the Company, and are specifically not accountable nor responsible for the day to day operation of such activities. Although designation of a member or members as an "audit committee financial expert" is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Audit Committee, designation as an "audit committee financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee and Board in the absence of such designation. Rather, the role of any audit committee financial expert, like the role of all Audit Committee members, is to oversee the process and not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

### **3. Composition of Audit Committee**

The Audit Committee shall consist of three or more Directors, a majority of whom are resident Canadians (as defined in the Canada Business Corporations Act), and all of whom are unrelated and/or independent for the purposes of applicable Canadian and United States securities law and applicable rules of any stock exchange on which the Company's shares are listed. Each member of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise (as those terms are defined from time to time under the requirements or guidelines for audit committee service under securities laws and the

applicable rules of any stock exchange on which the Company's securities are listed for trading or, if it is not so defined as that term is interpreted by the Board in its business judgment).

**4. Appointment of Audit Committee Members**

The members of the Audit Committee shall be appointed by the Board from time to time, on the recommendation of the Governance Committee and shall hold office until the next annual meeting of shareholders or until their successors are earlier appointed or until they cease to be Directors of the Company.

**5. Vacancies**

Where a vacancy occurs at any time in the membership of the Audit Committee, it may be filled by the Board on the recommendation of the Governance Committee.

**6. Audit Committee Chair**

The Board shall appoint a Chair of the Audit Committee who shall:

- a) review and approve the agenda for each meeting of the Audit Committee and as appropriate, consult with members of management;
- b) preside over meetings of the Audit Committee;
- c) report to the Board on the activities of the Audit Committee relative to its recommendations, resolutions, actions and concerns; and
- d) meet as necessary with the internal and external auditors.

**7. Absence of Audit Committee Chair**

If the Chair of the Audit Committee is not present at any meeting of the Audit Committee, one of the other members of the Audit Committee present at the meeting shall be chosen by the Audit Committee to preside at the meeting.

**8. Secretary of Audit Committee**

The Corporate Secretary shall act as Secretary to the Audit Committee.

**9. Meetings**

The Chair, or any two members of the Audit Committee, or the internal auditor, or the external auditors, may call a meeting of the Audit Committee. The Audit Committee shall meet at least quarterly. The Audit Committee shall meet periodically with management, the internal auditors and the external auditors in separate executive sessions.

**10. Quorum**

A majority of the members of the Audit Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

**11. Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Audit Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.



**12. Attendance of Company Officers and Employees at Meeting**

At the invitation of the Chair of the Audit Committee, one or more officers or employees of the Company may attend any meeting of the Audit Committee.

**13. Procedure, Records and Reporting**

The Audit Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Audit Committee may deem appropriate but not later than the next meeting of the Board.

**14. Review of Charter and Evaluation of Audit Committee**

The Audit Committee shall review its Charter annually or otherwise, as it deems appropriate, and if necessary propose changes to the Governance Committee and the Board. The Audit Committee shall annually review the Audit Committee's own performance.

**15. Outside Experts and Advisors**

The Audit Committee is authorized, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors, at the Company's expense, to advise the Audit Committee or its members independently on any matter.

**16. Reliance**

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations and (iii) representations made by Management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Company and its subsidiaries.

## SCHEDULE "C"

### CHARTER OF THE GOVERNANCE COMMITTEE

#### 1. Purpose

The Governance Committee is responsible for performing the duties delegated to it by the Board of Directors to enable the Board to fulfill its responsibilities in relation to:

- a) maintaining and enhancing the Company's corporate governance practices;
- b) identifying and recommending to the Board, selection criteria and qualified individuals in respect of the composition of the Board and its committees; and
- c) assessing the performance of the Board, individual members of the Board, committees and the Chair of the Board.

#### 2. Roles and Responsibilities

The Governance Committee shall monitor, review, develop policies, recommend and take other action as appropriate in fulfilling its purpose, including:

##### I. **Corporate Governance**

- a) recommend and report to the Board on corporate governance issues, principles and guidelines for review, discussion, approval or other action by the Board;
- b) review the Company's governance disclosure as may be required by relevant regulatory authorities or stock exchanges, before such disclosure is submitted to the Board;
- c) monitor best governance practices and annually review the Company's governance practices with a view to maintaining high standards of corporate governance;
- d) ensure that any issues of corporate governance identified by Board members are raised to management of the Company;
- e) review the Company's structures and procedures to ensure that the Board is able to and in fact is, functioning independently of management;

##### II. **Boards and Committees**

- a) review at least annually, the size, composition and profile of the members of the Board and identify and recommend to the Board, appropriate selection criteria for selecting new directors which relate to experience, integrity, competence, skills, knowledge, diversity and dedication;
- b) identify and recommend, to the Board, qualified individuals for election or appointment to the Board;
- c) consider and recommend candidates to act as Chair of the Board, for approval by the Board of Directors;
- d) recommend members for appointment to committees taking into account the needs of individual committees, committee and board succession planning and opportunities and risks facing the Company;
- e) review and recommend changes in the size, composition and charters of the committees of the Board;
- f) satisfy itself that there is a satisfactory orientation program for new directors and committee members;
- g) provide continuing education opportunities for all directors;
- h) view, from time to time, events or matters that would trigger the resignation or retirement of Board members such as, age, changes in principal occupation and other relevant circumstances;

### **III. Operation of Board**

- a) monitor the quality of the relationship between management and the Board and recommend improvements as deemed necessary or desirable;
- b) review any surveys completed by directors dealing with the operational effectiveness of the Board;
- c) assess the availability, relevance and timeliness of information required by the Board;

### **IV. Assessment**

- a) develop and recommend to the Board, a process for assessing the performance and operation of the Board and its committees, the chair of the Board and each committee as well as for individual Board members;
- b) review annually the performance and contribution of individual Board members, including an evaluation of the competencies and skills the Board as a whole should possess;
- c) oversee the implementation of assessment processes and report the results and findings of assessments to the Board;

### **V. Director Compensation and Shareholder Alignment**

- a) conduct an annual review of Directors' compensation for Board and Committee service taking into account such criteria as time commitment, compensation provided by comparative companies, responsibilities, and recommend any change for Board approval;
- b) monitor compliance with the share ownership policy for directors and senior officers;
- c) administer the Deferred Share Unit Plan for non-employee directors; and
- d) consider and recommend to the Board, share ownership targets for directors and senior executive officers.

## **3. Composition of Committee**

The Governance Committee shall consist of three or more Directors. In addition, each member of the Governance Committee shall be "independent" for the purposes of applicable Canadian and United States securities law and applicable rules of any exchange on which the Company's shares are listed.

## **4. Appointment of Committee Members**

Members of the Governance Committee shall be appointed by the Board from time to time, and shall hold office until the next annual meeting of shareholders or until their successors are earlier appointed or until they cease to be Directors of the Company.

## **5. Vacancies**

Where a vacancy occurs at any time in the membership of the Governance Committee, it may be filled by the Board on the recommendation of the Governance Committee.

## **6. Committee Chair**

The Board shall appoint a Chair of the Governance Committee who shall:

- a) review and approve the agenda for each meeting of the Governance Committee and as appropriate, consult with members of management;
- b) preside over meetings of the Governance Committee;

- c) report to the Board on the activities of the Governance Committee relative to its recommendations, resolutions, actions and concerns;
- d) annually review the performance of the Chair of the Board on input from the members of the Board; and
- e) as necessary, review reports on the exercise, acquisition and disposition of share and option holdings by members of senior management.

#### **7. Absence of Committee Chair**

If the Chair of the Governance Committee is not present at any meeting of the Governance Committee, one of the other members of the Governance Committee present at the meeting shall be chosen by the Governance Committee to preside at the meeting.

#### **8. Secretary of Committee**

The Corporate Secretary shall act as Secretary to the Governance Committee.

#### **9. Meetings**

The Chair, or any two members of the Governance Committee, may call a meeting of the Governance Committee. The Governance Committee shall meet at least semi-annually. The Chair of the Board and the Company's President and Chief Executive Officer may attend all meetings of the Governance Committee. The Governance Committee may also meet in separate executive sessions.

#### **10. Quorum**

A majority of the members of the Governance Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

#### **11. Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Governance Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

#### **12. Attendance of Company Officers or Employees at Meeting**

At the invitation of the Chair of the Governance Committee, one or more officers or employee of the Company may attend any meeting of the Governance Committee.

#### **13. Procedure, Records and Reporting**

The Governance Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board not later than the next regularly scheduled meeting of the Board.

#### **14. Review of Charter and Evaluation of Committee**

The Governance Committee shall evaluate, on an annual basis, its performance and review its Charter and shall, as it deems appropriate, recommend any changes to the Board for approval.

#### **15. Outside Experts and Advisors**

The Governance Committee is authorized when deemed necessary or desirable to retain independent counsel, outside experts and other advisors, at the Company's expense, to advise the Governance Committee or its members independently on any matter.

**SCHEDULE "D"****CHARTER OF  
THE HEALTH, SAFETY AND ENVIRONMENT COMMITTEE****1. Purpose**

The Health, Safety and Environment Committee (the "HS&E Committee") is responsible for the duties delegated to it by the Board of Directors to enable the Board to fulfill its oversight responsibilities in relation to:

- a) due diligence in the development and implementation of systems and programs for management of health, safety and environmental matters and to ensure the Company's compliance with applicable laws; and
- b) reviewing, reporting and making recommendations to the Board about the Company's policies, standards, practices and performance with respect to its corporate responsibility in relation to health, safety and environment.

**2. Roles and Responsibilities**

The HS&E Committee shall monitor, review, develop policies, recommend and take other action as appropriate in fulfilling its purpose, including:

- a) monitor on a regular basis the existing health, safety and environmental practices and procedures of the Company and its controlled subsidiaries for compliance with applicable legislation, conformity with industry standards, implementation of best practices and prevention or mitigation of losses;
- b) consider whether the Company's policies and practices relating to health, safety and environmental matters are being effectively implemented;
- c) review and consider reports and recommendations issued by the Company or by an external party relating to health, safety or environmental issues, together with management's response thereto;
- d) advise and make recommendations to the Board of Directors as appropriate on matters relating to health, safety and the environment;
- e) review and report, as appropriate, to the Board of Directors on the Company's policies and procedures relating to health, safety and the environment and, if appropriate, make recommendations to the Board of Directors;
- f) ensure the internal auditor has access to the Chair of the HS&E Committee, the Board and the Chief Executive Officer; and
- g) meet separately with the Vice-President, Health, Safety and Environment and report to the Board on such meetings.

**3. Composition of Committee**

The HS&E Committee shall consist of three or more Directors, a majority of whom shall be independent.

**4. Appointment of Committee Members**

Members of the HS&E Committee shall be appointed by the Board from time to time, and shall hold office until the next annual meeting, or until their successors are earlier appointed, or until they cease to be Directors of the Company.

**5. Vacancies**

Where a vacancy occurs at any time in the membership of the HS&E Committee, it may be filled by the Board on the recommendation of the HS&E Committee.

**6. Committee Chair**

The Board shall appoint a Chair for the HS&E Committee who shall:

- a) review and approve the agenda for each meeting of the HS&E Committee and as appropriate, consult with members of management;
- b) preside over meetings of the HS&E Committee; and
- c) report to the Board on the activities of the HS&E Committee relative to its recommendations, resolutions, actions and concerns.

**7. Absence of Committee Chair**

If the Chair of the HS&E Committee is not present at any meeting of the HS&E Committee, one of the other members of the HS&E Committee present at the meeting shall be chosen by the HS&E Committee to preside at the meeting.

**8. Secretary of Committee**

The Corporate Secretary shall act as Secretary to the HS&E Committee.

**9. Meetings**

The Chair, or any two members of the HS&E Committee, or the external auditors, may call a meeting of the HS&E Committee. The HS&E Committee shall meet at least three times per year. The HS&E Committee may also meet periodically in separate executive sessions.

**10. Quorum**

A majority of the members of the HS&E Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

**11. Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the HS&E Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

**12. Attendance of Company Officers and Employees at Meeting**

At the invitation of the Chair of the HS&E Committee, one or more officers or employees of the Company may attend any meeting of the HS&E Committee.

**13. Procedure, Records and Reporting**

The HS&E Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the HS&E Committee may deem appropriate but not later than the next regularly scheduled meeting of the Board.

**14. Review of Charter and Evaluation of Committee**

The HS&E Committee shall evaluate, on an annual basis, its performance and review its Charter and shall, as it deems appropriate, recommend any changes to the HS&E Committee and the Board for approval.

**15. Outside Experts and Advisors**

The HS&E Committee is authorized, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors, at the Company's expense, to advise the HS&E Committee or its members independently on any matter.

## SCHEDULE "E"

### CHARTER OF THE HUMAN RESOURCES COMMITTEE

#### 1. Purpose

The Human Resources Committee is responsible for performing the duties delegated to it by the Board of Directors to enable the Board to fulfill its responsibilities in relation to:

- a) approving goals and objectives, and performance against these goals and objectives, for the President and Chief Executive Officer, and recommending to the Board all Chief Executive Officer compensation matters (including retirement arrangements);
- b) reviewing and approving total compensation (including retirement arrangements) for the senior executive officers; and
- c) reviewing and approving the Company's human resources philosophies, policies, succession plans and compensation and benefits plans as they pertain to the Company's corporate strategy.

#### 2. Roles and Responsibilities

The Human Resources Committee shall monitor, review, approve, recommend and take other action as appropriate in fulfilling its purpose, including:

- a) review and recommend to the Board, goals and objectives relevant to the President and Chief Executive Officer's compensation and conduct an annual review and assessment of the performance against these goals and objectives of the President and Chief Executive Officer, and review annually, the performance of the senior executive officers of the Company;
- b) consider and approve the salary and other remuneration, to be awarded to senior executive officers of the Company and make recommendations to the Board on the remuneration package for the President and Chief Executive Officer;
- c) review and approve any agreements with senior executive officers with respect to compensation, benefits, or termination arrangements and oversee administration of any such agreements as required;
- d) review with the President and Chief Executive Officer existing management resources and plans, including recruitment and training programs, for ensuring that qualified personnel will be available for succession to senior executive officer positions in the Company, and report on this matter to the Board at least once each year;
- e) consider, with the President and Chief Executive Officer, proposed changes in organization or personnel affecting the senior executive officers group and recommend for approval any change requiring Board action;
- f) approve and review with the President and Chief Executive Officer the Company's overall compensation philosophy and compensation and benefits plans in relation to the Company's business strategy;
- g) subject to any specific responsibilities as set out in this Charter, consider and approve changes in the Company's compensation and benefit plans involving an annual change in cost to the Company in excess of \$10 million;
- h) consider and approve any major benefit changes in the Company's pension plans (after consultation with the Audit Committee) in respect of any significant effect such a change may have on pension financial matters; appoint members to the Company's Pension Committee, and report thereon to the Board;



- i) consider and approve the Company's equity based compensation programs, (collectively referred to as the "Equity Plans"), in accordance with the requisite plan texts and relevant legislation, and do such other things including the following:
  - 1. review the initial design, development and plan texts of Equity Plans, and recommend to the Board the adoption or creation of any such Equity Plans;
  - 2. approve the designation of employees who are to participate in the Equity Plans;
  - 3. approve grants for each participant and any applicable terms and conditions pursuant to the plan texts of such grants including but not limited to: term, price, vesting, and performance requirements;
  - 4. interpret any Equity Plans' texts as required from time to time, including (upon consultation with the Audit Committee) the determination of the degree to which performance requirements have been met;
  - 5. review and monitor the entire equity grant funding and effect this has on dilution and overall corporate expense;
  - 6. consider and recommend to the Board any requirement for shares to be set aside from the authorized and unissued shares of the Company; and
  - 7. approve and recommend to the Board any significant amendments to the Equity Plans or the discontinuance or substitution thereof;
- j) consider and approve the Company's non-equity based incentive compensation programs, (collectively referred to as the "Non-Equity Programs"), in accordance with the requisite plan texts and applicable legislation, and do such other things including the following:
  - 1. approve the initial design, development and any plan texts of Non-Equity Programs;
  - 2. approve overall Company grants, including individual grants to senior executive officers, and any applicable terms and conditions pursuant to the plan texts of such grants including but not limited to: term, price, vesting, estimated cost and performance requirements;
  - 3. interpret any Non-Equity Programs' texts as required from time to time, including (upon consultation with the Audit Committee) the determination of the degree to which performance requirements have been met; and
  - 4. approve any significant amendments to the Non Equity Programs or the discontinuance or substitution thereof;
- k) review and approve the annual report on executive compensation for inclusion in the Company's public disclosure documents; and
- l) discharge any other responsibilities allocated to the Committee by the Board.

### **3. Composition of Committee**

The Human Resources Committee shall consist of three or more Directors. In addition, each member of the Human Resources Committee shall be "independent" for the purposes of applicable Canadian and United States securities law and applicable rules of any exchange on which the Company's shares are listed.

### **4. Appointment of Committee Members**

Members of the Human Resources Committee shall be appointed by the Board from time to time, and shall hold office until the next annual meeting, or until their successors are earlier appointed, or until they cease to be Directors of the Company.

**5. Vacancies**

Where a vacancy occurs at any time in the membership of the Human Resources Committee, it may be filled by the Board on the recommendation of the Human Resources Committee.

**6. Committee Chair**

The Board shall appoint a Chair for the Human Resources Committee who shall:

- a) review and approve the agenda for each meeting of the Human Resources Committee and as appropriate, consult with members of management;
- b) preside over meetings of the Human Resources Committee;
- c) report to the Board on the activities of the Human Resources Committee relative to its recommendations, resolutions, actions and concerns; and
- d) obtain and maintain relationships with independent advisors including consultants, lawyers and other professionals when deemed necessary or advisable.

**7. Absence of Committee Chair**

If the Chair of the Human Resources Committee is not present at any meeting of the Human Resources Committee, one of the other members of the Human Resources Committee present at the meeting shall be chosen by the Human Resources Committee to preside at the meeting.

**8. Secretary of Committee**

The Corporate Secretary shall act as Secretary to the Human Resources Committee.

**9. Meetings**

The Chair, or any two members of the Human Resources Committee, or the external auditors, may call a meeting of the Human Resources Committee. The Human Resources Committee shall meet at least three times per year. The Human Resources Committee may also meet periodically in separate executive sessions.

**10. Quorum**

A majority of the members of the Human Resources Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

**11. Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Human Resources Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

**12. Attendance of Company Officers and Employees at Meeting**

At the invitation of the Chair of the Human Resources Committee, one or more officers or employees of the Company may attend any meeting of the Human Resources Committee.

**13. Procedure, Records and Reporting**

The Human Resources Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Human Resources Committee may deem appropriate but not later than the next regularly scheduled meeting of the Board.

**14. Review of Charter and Evaluation of Committee**

The Human Resources Committee shall evaluate, on an annual basis, its performance and review its Charter and shall, as it deems appropriate, recommend any changes to the Human Resources Committee and the Board for approval.

**15. Outside Experts and Advisors**

The Human Resources Committee is authorized, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors, at the Company's expense, to advise the Human Resources Committee or its members independently on any matter.