



**INFORMATION MEMORANDUM**

**SHORT-TERM PROMISSORY NOTES**

**CDN\$300,000,000**

*This Information Memorandum is not, and under no circumstances is to be construed as, an offering of short-term promissory notes for sale in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction or to any citizen or resident of the United States of America. The short-term promissory notes will not be sold outside of Canada or to any person who is not resident in Canada for the purposes of the Income Tax Act (Canada) or to any person purchasing them for resale to, or for the account or benefit of, any person who is not resident in Canada for the purposes of the Income Tax Act (Canada).*

*This Information Memorandum does not in any way obligate Gaz Métropolitain, inc. to accept an offer to purchase these short-term promissory notes.*

*This Information Memorandum replaces the Information Memorandum of Gaz Métropolitain, inc. dated June 14, 1988.*

*November 27, 2002*

## GAZ MÉTROPOLITAIN, INC.

Gaz Métropolitain, inc. (the « **Company** ») was incorporated under the name “Corporation de Gaz Naturel du Québec” and its English version “Quebec Natural Gas Corporation” pursuant to Part I of the *Companies Act* (Quebec) by letters patent dated June 15, 1955. Supplementary letters patent were subsequently issued to it on various occasions, principally to modify its share capital. The name of the Company was changed to “Gaz Métropolitain, inc.” on October 4, 1969. On April 24, 1984, the Company was continued under Part IA of the *Companies Act* (Quebec). The Company’s head office is located at 1717 Du Havre Street, Montréal, Quebec H2K 2X3.

A corporate reorganization of the Company and Gaz Métropolitain and Company, Limited Partnership (“**GMCLP**”) was carried out in August 1991, whereby the Company transferred substantially all of its business and assets to GMCLP in exchange for units of GMCLP and the assumption by GMCLP of substantially all of the Company’s liabilities, other than the subordinated debt issued to Noverco Inc. (“**Noverco**”). The Company amalgamated with its parent company, Noverco, on October 1, 1991 under the corporate name “Gaz Métropolitain, inc.” Following the amalgamation, the Company became a wholly-owned subsidiary of a new parent company, which adopted the corporate name “Noverco 1991 Inc.”, subsequently changed to “Noverco Inc.”

As part of this corporate reorganization, the Company agreed not to conduct any activities and not to acquire any property, security or assets other than in its capacity as General Partner of GMCLP, with the exception of those owned by Noverco at the time of its amalgamation with the Company and those acquired in replacement thereof, and other property the sum of which does not exceed 1% of the value of its total consolidated assets. As at September 30, 2002, the Company held no property other than its interest in GMCLP, the property acquired in replacement of the property held by Noverco prior to the amalgamation with the Company, and its shares of Gaz Métropolitain Plus Inc.

The Company also agreed that it would not assume any liabilities except as General Partner of GMCLP, the subordinated debentures held by Noverco, and any other debt in an amount that does not exceed 1% of its total consolidated assets. As at June 30, 2002, the Company had no such other debt.

Since the corporate reorganization of 1991, the Company has acted as General Partner of GMCLP in accordance with the Limited Partnership Agreement of GMCLP. As at June 30, 2002, the Company held 77.4% of the 110,468,612 units of GMCLP, Gaz Métropolitain Plus Inc., a wholly-owned subsidiary of the Company, held 8,551 units of GMCLP, and the balance was held by the public.

Any change in the role of the Company as General Partner of GMCLP and any disposition by the Company of all or part of its interests in the units of GMCLP must be approved by a special resolution pursuant to the trust, hypothec, mortgage and pledge deed governing the first mortgage bonds of the Company.

Pursuant to GMCLP’s Limited Partnership Agreement, the Company has the exclusive power and authority to administer, manage, control and operate the business of GMCLP and to

hold title to its assets. The Company must exercise its powers and discharge its duties with reasonable skill and with all the care of a prudent and diligent person, as would a director of a company under similar circumstances. The powers vested in the Company in order to manage the business and affairs of GMCLP are broad and include all authority necessary or incidental to carry out the business of GMCLP.

As at the date hereof, GMCLP has \$2.3 billion of assets, more than 9,850 km of underground natural gas distribution pipelines and approximately 1,650 employees at the service of more than 184,000 customers in Quebec and Vermont. The distribution of natural gas is GMCLP's core business and it delivers approximately 97% of the natural gas that is consumed in Quebec. Vermont Gas Systems, Inc., a wholly-owned subsidiary, is the sole gas distributor in the State of Vermont in the United States.

GMCLP also owns investment interests in three natural gas transmission enterprises, including a 50% interest in TQM Pipeline and Company, Limited Partnership, which operates a pipeline in Quebec that connects upstream with TransCanada PipeLines and downstream with Portland Natural Gas Transmission System ("**PNGTS**"). The PNGTS pipeline, in which GMCLP holds a 20.66% interest, originates at the Quebec border and extends to the suburbs of Boston. In addition, a wholly-owned subsidiary of GMCLP operates two pipelines that cross the Ontario border to supply GMCLP's distribution system in northwestern Quebec.

In addition to its main activities and investments, GMCLP sells goods and services through subsidiaries and affiliates in the energy, aqueduct and wastewater diagnostic and rehabilitation, and fiber optics fields.

GMCLP's units are listed on the Toronto Stock Exchange under the symbol "GZM.UN".

## DESCRIPTION OF THE SHORT-TERM PROMISSORY NOTES

<b>Issuer</b>	Gaz Métropolitain, inc. (the “ <b>Company</b> ”)
<b>Par value</b>	The aggregate par value of the short-term promissory notes (the “ <b>Notes</b> ”) outstanding at any time shall not exceed \$300,000,000 in Canadian dollars (or the equivalent thereof in other currencies at the time of issue).
<b>Purpose</b>	The gross proceeds received by the Company from the offering and the sale of the Notes shall be loaned to Gaz Métropolitain and Company, Limited Partnership (“ <b>GMCLP</b> ”) at substantially similar conditions as to interest rate and term. The gross proceeds loaned to GMCLP shall be added to GMCLP’s general funds.
<b>Long-term credit line</b>	The Company covenants to maintain a long-term credit line totalling \$300,000,000 as long as Notes are outstanding.
<b>Form of Notes</b>	<p>The Notes shall be issued, at the option of the Company, in either of the following forms:</p> <ul style="list-style-type: none"><li>(a) in negotiable form, in which case the Notes shall be payable to the bearer or to the order of a purchaser thereof; or</li><li>(b) in “book-entry only” form (the “<b>Book-Entry Notes</b>”), in which case the Notes must be purchased or transferred through participants (the “<b>Participants</b>”) in the The Canadian Depository for Securities Limited (“<b>CDS</b>”) debt-clearing service, which Participants include securities brokers and dealers, and banks and trust companies. Indirect access to the CDS book-entry system is also available to other institutions (the “<b>Indirect Participants</b>”) that maintain custodial relationships with a Participant, either directly or indirectly.</li></ul>

The Company shall cause the Book-Entry Notes to be delivered to, and registered in the name of, CDS or its nominee. Each purchaser of a Book-Entry Note shall receive a customer confirmation of purchase from the Participant or Indirect Participant from whom such Note is purchased in accordance with the practices and procedures of that person. Practices of Participants and Indirect Participants may vary, but generally customer confirmations are issued promptly after execution of a customer order.

No holder of Book-Entry Notes shall be entitled to a certificate or other instrument from the Company or CDS evidencing that person’s interest in or ownership of such Note, or shall be shown on the records maintained by CDS, except through an agent of the holder who is a Participant or an Indirect Participant of CDS. Registration of

interests in and transfers of Book-Entry Notes shall only be made through the debt-clearing service of CDS. All payments on Book-Entry Notes by the Company shall be made to CDS or to any paying agent appointed by the Company, which shall then make the payments to CDS, and such payments shall be forwarded by CDS to its Participants, by Participants to holders of Book-Entry Notes or, where applicable, by Participants to Indirect Participants and thereafter to holders of the Book-Entry Notes.

None of the Company, the Participants or the Indirect Participants shall assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Book-Entry Notes held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Book-Entry Notes; or (c) any advice or representation made by or with respect to CDS, including those contained in this Information Memorandum and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants, and CDS has a statutory duty to enforce payment of the Notes on behalf of the Participants. As a result, the Participants must look solely to CDS and holders of Book-Entry Notes must look solely to Participants for the payment of the principal and interest on the Book-Entry Notes once such payment is made by or on behalf of the Company to CDS.

The ability of a holder to pledge Book-Entry Notes or take action with respect thereto (other than through a Participant or an Indirect Participant) may be limited due to the lack of physical certificates.

The Company shall have the option to terminate the issue through the book-entry system of CDS, in which case Notes in certificated form payable to the bearer or to the order of a holder thereof shall be issued to holders of Book-Entry Notes or their nominees.

The Book-Entry Notes shall be designated as subject to the *Depository Bills and Notes Act* (Canada).

As at the date of publication of this Information Memorandum, only Notes payable in Canadian funds are eligible for the book-entry system. Therefore, Notes payable in funds other than Canadian funds shall be issued in certificated form payable to bearer or to the order of a purchaser thereof. Should CDS and its Participants decide to later issue short-term promissory notes in funds other than Canadian funds through the debt-clearing service of CDS, Book-Entry Notes shall then be issued through the book-entry system in accordance with the conditions set forth hereinabove with regard to the issue of Book-Entry Notes.

A specimen form of Note is included in this Information Memorandum.

<b>Denominations</b>	The Notes shall be issued in multiples of \$1,000, subject to a minimum of \$100,000 in Canadian or United States funds.
<b>Maturities</b>	The Notes shall mature up to but not exceeding 365 days from the date of issue.
<b>Rates of interest</b>	The Notes shall be interest-bearing or issued at a discount to mature at their principal amount. The rates of interest on the Notes are available on request.
<b>Currency</b>	The Notes shall be payable in Canadian dollars or in United States dollars, whichever is the currency of issue.
<b>Delivery of Notes</b>	Delivery of Notes in certificated form shall be made against payment by wire transfer and may be arranged for same-day delivery to the purchaser or its agent in the cities of Montréal and Toronto, subject to confirmation by the Company, on applications made through a Canadian chartered bank designated by the Company in such cities or by a bank letter of undertaking in other principal cities in Canada. Delivery of Book-Entry Notes shall be made in accordance with the rules established by CDS.
<b>Payment of Notes</b>	Payment of each Note in certificated form shall be made when due on behalf of the Company upon presentment and delivery of the Notes to the paying agent identified on the Notes and located in the cities of Montréal and Toronto. All payments of Book-Entry Notes shall be made in accordance with the rules established by CDS.
<b>Selling restrictions</b>	The Notes shall not be offered for sale in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction or to any citizen or resident of the United States of America. The Notes shall not be sold outside Canada or to any person who is not resident in Canada for the purposes of the <i>Income Tax Act</i> (Canada), or to any person purchasing them for resale to, or for the account or benefit of, any person who is not resident in Canada for the purposes of the <i>Income Tax Act</i> (Canada).
<b>Eligibility for investment purposes</b>	<p>In the opinion of Stikeman Elliott, counsel for the Company, and subject to this opinion, the Notes constitute on the date hereof an eligible investment under the following statutes:</p> <p><i>Bank Act</i> (Canada) <i>Cooperative Credit Associations Act</i> (Canada) <i>Insurance Companies Act</i> (Canada)</p>

*Pension Benefits Standards Act, 1985* (Canada)  
*Trust and Loan Companies Act* (Canada)  
*Financial Institutions Act* (British Columbia)  
*Alberta Heritage Savings Trust Fund Act* (Alberta)  
*Loan and Trust Corporations Act* (Alberta)  
*Insurance Act* (Alberta)  
*Employment Pension Plans Act* (Alberta)  
*The Pension Benefits Act 1992* (Saskatchewan)  
*The Trustee Act* (Saskatchewan)  
*The Insurance Act* (Manitoba)  
*The Pension Benefits Act* (Manitoba)  
*The Trustee Act* (Manitoba) (subject to any explicit provision of the law or of the will or any other instruments creating the trust or establishing the duties and powers of the trustee)  
*Trustee Act* (Ontario)  
*Loan and Trust Corporations Act* (Ontario)  
*Pension Benefits Act* (Ontario)  
*An Act respecting insurance* (Quebec) (for an insurer (as defined therein) incorporated under the laws of the province of Quebec other than a mutual insurance company, an insurance fund, a guarantee fund and a professional order (each as defined therein))  
*An Act respecting trust companies and savings companies* (Quebec) (for a trust company investing its own funds and the deposits it receives, and a savings company (as defined therein) investing its own funds)  
*Supplemental Pension Plans Act* (Quebec)  
*Pension Benefits Act* (New Brunswick)  
*Trustees Act* (New Brunswick)  
*Pension Benefits Act* (Nova Scotia)  
*Trustee Act* (Nova Scotia)  
*Pension Benefits Act, 1997* (Newfoundland and Labrador)

**GAZ MÉTROPOLITAIN, inc.**

**By-law No. 1, Section 39 – General Borrowing Powers**

The directors may, where they deem it expedient, by simple resolution:

- (a) borrow money on the Company's credit;
- (b) issue bonds, debentures and other securities of the Company and pledge or sell them for prices and amounts deemed acceptable;
- (c) notwithstanding the provisions of the Civil Code, hypothecate, mortgage or pledge, present or future, movable or immovable property, to guarantee payment of such bonds, debentures and other securities or pledge only a portion of these guarantees for the same purposes; and create the aforementioned hypothec, mortgage or pledge by trust deed in accordance with Sections 28 and 29 of the *Special Corporate Powers Act* (R.S.Q. c. P-16) or in any other way;
- (d) hypothecate or mortgage immovables, or pledge or otherwise charge the movables of the Company or give these various types of guarantees to ensure payment of loans made other than by the issue of bonds or debentures as well as the payment or execution of other debts, contracts or covenants of the Company.

The directors may delegate all or each of the powers listed above to certain officers as and how they shall deem appropriate.

Nothing in the foregoing shall limit or restrict the Company from borrowing on bills of exchange or promissory notes made, drawn, accepted or endorsed by the Company or in its name.

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I, the undersigned, Secretary of Gaz Métropolitain, inc. (the "**Company**"), hereby certify that the foregoing is a true copy of By-law No. 1, Section 39 of the General By-laws of the Company, duly enacted at a meeting of the Board of Directors regularly held on May 14, 1993 and duly approved and ratified by the sole shareholder of the Company on May 14, 1993 and that said By-law has not been amended nor repealed and remains fully in effect as at the date hereof.

IN WITNESS WHEREOF, I have signed in Montréal, province of Quebec (Canada), on November 27, 2002.

(Signed) *Nicole Brunet*  
Nicole Brunet  
Assistant Corporate Secretary

**GAZ MÉTROPOLITAIN, inc.**

**Resolution authorizing the issue and the sale of  
short-term promissory notes as amended**

Upon a duly made and approved proposal, it is unanimously RESOLVED:

1. THAT the Company borrow sums of money for the issue and the sale of unsecured short-term promissory notes (the “**Notes**”), each Note being in registered or bearer form, bearing interest or issued at a discount with payment of par value at maturity in denominations of not less than \$100,000 or any multiple of this amount in Canadian or United States currency at issue and maturing no more than 365 days from the date of issue; the Notes being in a form and substance similar to the proposed Notes submitted at this meeting and with the terms and characteristics described in the Information Memorandum, of which a draft is also submitted at this meeting; provided that the aggregate par value of outstanding Notes does not in any circumstances exceed \$300,000,000 in Canadian currency or the equivalent in other currencies at the time of issue; in addition, the holder of a Note shall be able to rely in a probative manner on the valid and mandatory nature of any Note without having to verify the aggregate par value of the Notes then outstanding;
2. THAT any of the President and Chief Executive Officer, Vice-President and Chief Financial Officer, or Treasurer of the Company be and they are hereby authorized to approve the conditions relating to the Notes (including, without limitation, maturity dates, currencies of issue and interest rates or discounts) they deem appropriate, subject to the terms of this resolution; this approval must be evidenced by the signature on the Notes of one of the aforementioned officers;
3. THAT any of the President and Chief Executive Officer, Corporate Secretary or Assistant Secretary jointly acting with any of the Vice-President and Chief Financial Officer or Treasurer of the Company be and they are hereby authorized on behalf of the Company to execute from time to time, either by manual or facsimile signature, and to deliver the Notes for such amounts and on such conditions and to execute and deliver any other document relating in any manner whatsoever to the sums of money thus borrowed;
4. THAT no Note may be issued or, if issued, may be binding either for the Company or the holder unless countersigned by manual signature on behalf of the Company by a person authorized for this purpose by a duly designated agent of the Company;
5. THAT any Note signed on behalf of the Company in the manner described above constitute a valid and mandatory obligation of the Company, one that is enforceable in accordance with its provisions, notwithstanding the fact that, in case of mechanical signature, any signatory no longer holds a position or performs duties within the Company at the time of issue and delivery of this Note or no longer holds the position or performs the duties which he or she held or performed at the time of execution;
6. THAT the Company be and it is hereby authorized to appoint one or more vendor agents regarding the sale of the Notes;

7. THAT two of the following executives of the Company: the Vice-President and Chief Financial Officer, the Treasurer, the Corporate Secretary and the Assistant Secretary be and they are hereby authorized to execute and deliver on behalf of the Company any instrument, document or agreement and to do anything they deem necessary or appropriate to give effect to this resolution, including instruments or agreements appointing from time to time any chartered bank, trust company or other trustee for the above-mentioned purposes, including the custody of the Notes, the right to word, countersign and deliver the Notes, and appointing from time to time any security broker or group of security brokers to act as agent of the Company in order to solicit bids to purchase Notes and to perform the sale thereof; and
8. THAT the resolution adopted at the meeting of the Executive Committee of the Board of Directors of the Company held on May 3, 1988 authorizing the borrowing of sums of money through the issue and sale of Notes be and it is hereby replaced, without prejudice to the obligations of the Company with regard to any note already executed and delivered pursuant to the resolution.

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I, the undersigned, Secretary of Gaz Métropolitain, inc. (the “**Company**”), hereby certify that the foregoing is a true copy of a resolution duly enacted at a meeting of the Board of Directors of the Company regularly held on October 9, 2002, and that the said resolution has not been amended nor repealed and remains fully in effect as at the date hereof.

IN WITNESS WHEREOF, I have signed in Montréal, province of Quebec (Canada), on November 27, 2002.

*(Signed) Nicole Brunet*  
Nicole Brunet  
Assistant Corporate Secretary

**GAZ MÉTROPOLITAIN, inc.**

**Certificate of Incumbency and Signatures**

<b><u>NAME</u></b>	<b><u>OFFICE</u></b>	<b><u>SIGNATURE</u></b>
Robert Tessier	President and Chief Executive Officer	<i>(Signed) Robert Tessier</i>
Luc Sicotte	Vice-President and Chief Financial Officer	<i>(Signed) Luc Sicotte</i>
Hélène St-Pierre	Treasurer	<i>(Signed) Hélène St-Pierre</i>
René Bédard	Corporate Secretary	<i>(Signed) René Bédard</i>
Nicole Brunet	Assistant Corporate Secretary	<i>(Signed) Nicole Brunet</i>

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I, the undersigned, Vice-President, Corporate and Legal Affairs of Gaz Métropolitain, inc., hereby certify that each of the persons named hereinabove has been duly appointed or elected to the office indicated opposite his or her name, that he or she is now acting as the incumbent of this office as at the date hereof and that the signature set opposite his or her name is a true specimen of that person's signature.

IN WITNESS WHEREOF, I have signed in Montréal, province of Quebec, on November 27, 2002.

*(Signed) Pierre Despars*

Pierre Despars  
Vice-President, Corporate and Legal Affairs

# STIKEMAN ELLIOTT

Barristers & Solicitors

1155 René-Lévesque Blvd. West, 40th Floor, Montreal, Quebec, Canada H3B 3V2  
Tel: (514) 397-3000 Fax: (514) 397-3222 www.stikeman.com

November 27, 2002

**Gaz Métropolitain, Inc.**  
1717 du Havre Street  
Montréal, Quebec  
H2K 2X3

Ladies and Gentlemen,

**Subject: Gaz Métropolitain, Inc.**  
**Short-Term Promissory Notes**

We have acted as counsel for Gaz Métropolitain, Inc. (the “**Company**”) in connection with the issue and sale by the Company, from time to time, of negotiable short-term promissory notes (the “**Notes**”) in a maximum aggregate principal amount at any one time outstanding of \$300,000,000 in Canadian funds or the equivalent thereof in American funds at the time of issue. The Notes may be issued in certificated form payable to the bearer or to a specified payee, or may be issued in “book entry only” form, and are issuable in multiples of \$1,000 subject to a minimum denomination of \$100,000 in Canadian funds or United States funds and will mature up to but not exceeding 365 days from their issue, all as described in the Information Memorandum dated November 27, 2002 (the “**Information Memorandum**”). The Notes are not convertible or exchangeable into or accompanied by any right to purchase another security.

We are furnishing this opinion at the Company’s request for the information of prospective purchasers of the Notes. The expressions used herein and defined in the Information Memorandum shall have the meanings ascribed to them in the Information Memorandum.

We have assisted in the preparation of and have examined the Information Memorandum and the specimen form of Note reproduced in the Information Memorandum. We have examined originals or copies, certified or otherwise identified to our satisfaction, of the certificates and other documents, as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In particular, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the certificate of continuance of the Company, the by-laws of the Company, certain resolutions of the Company’s directors and a certificate of compliance provided by the Inspector General of Financial Institutions. We have relied exclusively upon these documents without independent investigation or verification for the purpose of providing our opinions expressed below in paragraphs 1, 2 and 3.

In all such examinations, we have assumed (i) the legal capacity of all individuals, (ii) the genuineness of all signatures on, and the authenticity and completeness of, all documents submitted to us as originals, (iii) the conformity to the originals of all documents submitted to us

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as true certified, conformed, facsimile, or photostatic copies thereof and the genuineness of all signatures thereon and the authenticity and completeness of the originals of such copies, (iv) that there has been no cease trade order or similar order made by a court or regulatory body having jurisdiction preventing trades in the Company's securities, (v) that the Company is not a "market intermediary" as such term is defined in the *Securities Act* (Ontario) and the *Securities Act* (Newfoundland and Labrador) and (vi) that the Company is not a registrant under the *Securities Act* (Manitoba) holding a restricted registration that prevents it from trading the Notes.

We understand that the Company will file the Information Memorandum and any other disclosure documents delivered to purchasers of the Notes with the *Commission des valeurs mobilières du Québec* and that if the Information Memorandum is furnished to persons in the province of Quebec, it will be accompanied by the French language form thereof.

We are qualified to practice law only in the provinces of Alberta, British Columbia, Ontario and Quebec, and our opinions below are expressed only with respect to the laws of such provinces and the laws of Canada applicable therein. Accordingly, in giving our opinions in paragraphs 4 and 5 below (with respect to the laws of the provinces of Prince Edward Island, Newfoundland and Labrador, Manitoba, New-Brunswick, Nova Scotia and Saskatchewan), we have relied exclusively, without independent investigation or verification, upon opinion of counsel in such provinces. To the extent that any opinion of counsel upon which we have relied is stated to be based on any assumption, to be given in reliance on any certificate or other document, or to be subject to any limitation, qualification or exception, the opinions expressed herein in reliance on any such opinion of counsel are based upon the same assumption, are given in reliance on the same certificate or document, and are subject to the same limitation, qualification or exception.

The opinions expressed in paragraph 5 below are also subject to the general limitations and restrictions contained in the statutes and regulations referred to therein as to the amount of funds which may be invested in any one investment or type or class of investment.

We understand the reliances, assumptions and qualifications set forth herein to be satisfactory to you.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Company has been duly continued and organized and is validly subsisting under the *Companies Act, Part IA* (Quebec).
2. The Company has the corporate power and capacity to borrow money by the issue and sale of the Notes and all necessary corporate action has been taken by the Company to authorize the issue and sale of the Notes and the borrowing of money thereby.
3. The Notes will constitute valid and binding obligations of the Company enforceable in accordance with their terms if they are issued by the Company according to the form set out in the Information Memorandum and in compliance with the conditions set forth therein and executed, by manual or facsimile signature, by either the President and Chief Executive Officer, the Corporate Secretary or the Assistant Secretary acting jointly with either the Vice-President and Chief Financial Officer or the Corporate Treasurer, and, if the Notes are issued in certificated form, delivered against payment.

4. The Company may, under the securities legislation of the respective provinces of Canada mentioned in this paragraph 4, either directly or through agents (which agents must be registered in an appropriate category pursuant to applicable securities legislation that would permit such agents to effect, or otherwise be exempt from registration in respect of, distribution or trades in Notes), without registration by the Company and without filing any prospectus or other documents, except, in the case of the province of Québec, for the filing of the Information Memorandum and any other disclosure documents delivered to purchasers of the Notes with the *Commission des valeurs mobilières du Québec*:

- a) offer and sell the Notes in Ontario:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public, provided that the value or principal amount of each Note purchased by such individuals is not less than \$50,000 in Canadian funds or its equivalent in United States funds;
- b) offer and sell the Notes in British-Columbia:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public, provided that the Notes have received a credit rating from one of the following rating agencies that is equal to or higher than the level indicated below:

<u>Rating Agency</u>	<u>Rating</u>
Canadian Bond Rating Services, Inc.	A-1 (low)
Dominion Bond Rating Service Limited	R-1 (low)
Moody's Investors Service, Inc.	P-1
Standard & Poor's Corporation	A-1

and that the Company or any of its agents offering and selling the Notes does not know or ought not reasonably to know that the rating agency announced that the rating may be down-graded to a level below the level indicated in paragraph (ii) hereinabove;

- c) offer and sell the Notes in Alberta:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public provided that the value or principal amount of each Note purchased by such individuals is not less than \$50,000 in Canadian funds or its equivalent in United States funds;
- d) offer and sell the Notes to the public in Saskatchewan, provided that:
  - (i) the Notes have received from one of the following rating agencies (each an "**Approved Credit Rating Organization**") a rating at or above one of the following rating categories (each an "**Approved Credit Rating**") or a category that replaces one of the following categories if:

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- (A) there has been no announcement of the Approved Credit Rating Organization that the rating of the Notes may be down-graded to a rating category that would not be an Approved Credit Rating;
- (B) the Company and each of its agents have complied with all of the requirements of *The Securities Act, 1988* (Saskatchewan), the regulations thereunder or a decision of the Saskatchewan Securities Commission; and
- (C) none of the following Approved Credit Rating Organizations have rated the security or instrument in a rating category that is not an Approved Credit Rating:

<u>Rating Agency</u>	<u>Rating</u>
Canadian Bond Rating Services, Inc.	A-1
Dominion Bond Rating Service Limited	R-1-L
Duff & Phelps Credit Rating Co.	D-1
Fitch IBCA, Inc.	A-1
Moody's Investors Service, Inc.	P-1
Standard & Poor's Corporation	A-1
Thomson BankWatch, Inc.	TBW-2

- e) offer and sell the Notes in Manitoba:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public, provided that the value or principal amount of each Note purchased by such individuals is not less than \$50,000 in Canadian funds or its equivalent in United States funds;
- f) offer and sell the Notes in Quebec:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public, provided that each Note purchased by a holder evidences a debt of not less than \$50,000 in Canadian funds or its equivalent in United States funds;
- g) offer and sell the Notes in New-Brunswick, provided that a purchaser thereof purchases as principal Notes having an aggregate acquisition cost of not less than \$97,000 in Canadian funds or the equivalent thereof in United States funds;
- h) distribute the Notes in Nova Scotia:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public, provided that:

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- (A) the denomination or principal amount of each Note purchased by such individual is not less than \$50,000 in Canadian funds or its equivalent in United States funds;
- (B) the Notes have received a rating at or above one of the following rating categories (each an “**Approved Credit Rating**”) or a category that replaces one of the following categories:

<b><u>Rating Agency</u></b>	<b><u>Rating</u></b>
Canadian Bond Rating Services, Inc.	A-1
Dominion Bond Rating Service Limited	R-1-L
Duff & Phelps Credit Rating Co.	D-1
Fitch IBCA, Inc.	A-1
Moody’s Investors Service, Inc.	P-1
Standard & Poor’s Corporation	A-1
Thomson BankWatch Inc.	TBW-2

from a credit rating agency shown above (each an “**Approved Credit Rating Organization**”);

- (C) there has been no announcement of any Approved Credit Rating Organization that the rating of the security or instrument to which the Approved Credit Rating was given may be down-graded to a rating category that would not be an Approved Credit Rating and none of the Approved Credit Rating Organizations have rated the security or instrument in a rating category that is not an Approved Credit Rating,

and provided further that, in each case, the Information Memorandum is accompanied by a description of the right of action granted by the *Securities Act* (Nova Scotia) to purchasers in Nova Scotia who purchase Notes in reliance upon a misrepresentation contained in the Information Memorandum;

- i) offer and sell the Notes in Prince Edward Island:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public, provided that the value or principal amount of each Note purchased by such individuals is not less than \$50,000 in Canadian funds or its equivalent in United States funds; and
- j) distribute the Notes in Newfoundland and Labrador:
  - (i) to the public (other than individuals); or
  - (ii) to individual members of the public, provided that the value or principal amount of each Note purchased by such individuals is not less than \$50,000 in Canadian funds or its equivalent in United States funds.

5. Subject to the general limitations and restrictions as set forth in the acts and regulations referred to below as to the amount of funds which may be invested in any one investment or type or class of investment and subject to the applicable general investment provisions and quantitative and other restrictions found in such legislation and based upon and subject to the foregoing, the Notes, when issued in accordance with paragraph 3 above, are, at the date hereof, investments:
- a) in which the provisions of the *Bank Act* (Canada) would not, subject to compliance with the prudent standards for investment and lending contained therein, preclude a bank to which such act applies from investing, provided that the investment by such bank in the Notes is not inconsistent with the prudent investment policies, standards and procedures required to be established and adhered to by such bank under such act;
  - b) in which the provisions of the *Trust and Loan Companies Act* (Canada) and the regulations thereunder would not, subject to compliance with the prudent standards for investment contained therein, preclude a company (within the meaning of such Act) from investing its funds, other than money or trust property held by such company which do not constitute guaranteed trust money or assets held in respect thereof, subject to the obligation of the directors of the company to establish, and the obligation of the company to adhere to, investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return;
  - c) in which the provisions of the *Cooperative Credit Associations Act* (Canada) would not, subject to compliance with the prudent standards for investment and lending contained therein, preclude an association (within the meaning of such Act) from making, provided that the investment in the Notes by such association is not inconsistent with the prudent investment policies, standards and procedures required to be established and adhered to by such association under such Act;
  - d) in which the provisions of the *Insurance Companies Act* (Canada) and the regulations thereunder would not, subject to compliance with the prudent standards for investment contained therein, preclude a company (within the meaning of such Act) or a foreign company (within the meaning of such Act) from investing its assets, other than assets of a segregated fund maintained pursuant to such Act, provided that the investment by such company in the Notes is not inconsistent with the prudent investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return and further provided that, with respect to a foreign company, such investment in the Notes is also in compliance with the provisions contained in the trust deed which created the trust;
  - e) in which the provisions of the Schedule III to the *Pension Benefits Standards Regulations, 1985* made pursuant to the *Pension Benefits Standards Act, 1985* (Canada) would not, subject to compliance with the prudent standards for

investment contained therein, preclude a pension plan registered under that Act from investing its funds, provided that the investment in the Notes by the plan is not inconsistent with any statement of investment policies and procedures that has been established and filed by the administrator (as defined in such Act) of such plan;

- f) in which the provisions of the *Pension Benefits Act* (Ontario) and the regulations thereunder would not, subject to compliance with the prudent investment standards contained therein, preclude the funds of a pension plan registered thereunder from being invested, provided that the administrator of such plan establishes and submits a statement of investment policies and procedures pursuant to the requirements of the *Pension Benefits Standards Regulations, 1985* made under the *Pension Benefits Standards Act, 1985* (Canada), as it read on December 31, 1999, and that such investment is specifically permitted and is in compliance with such statement of investment policies and procedures;
- g) in which the provisions of the *Loan and Trust Corporations Act* (Ontario) and the regulations thereunder would not, subject to compliance with the prudent investment standards and the general investment provisions contained therein and any registration restrictions applicable to the registrant under such Act, preclude the funds received as deposits by provincial corporations (as defined in such Act) as a fiduciary from being invested, provided that such investment is not inconsistent with the investment and lending policies, standards and procedures approved by the board of directors of the registrant and filed by the registrant under such Act;
- h) in which the provisions of the *Trustee Act* (Ontario) would not, subject to compliance with the prudent investment criteria and other considerations set out in that Act, preclude the trust property held by a trustee from being invested;
- i) in which the provisions of the *Financial Institutions Act* (British Columbia) and the regulations thereunder (collectively, the “**FIA**”) would not, subject to compliance with the prudent standards in making investment and lending decisions and the general investment provisions of the FIA, preclude a financial institution (as defined in the FIA) governed by the FIA from making, provided that the investment by such financial institution in the Notes is not inconsistent with the written investment and lending policy adopted by such financial institution in accordance with the FIA and provided that the investment does not result in such financial institution, or any of its subsidiaries, or any combination of the financial institution and its subsidiaries, acquiring, holding or controlling, whether directly or indirectly, more than a 10 % interest in the Company;
- j) in which the provisions of the *Loan and Trust Corporations Act* (Alberta) and the regulations thereunder would not, subject to compliance with the prudent standards for investment contained therein for a provincial corporation (as defined in the *Loan and Trust Corporations Act* (Alberta)) including investment decisions and managing its total investments, and the policies and procedures established by that provincial Corporation in that regard, preclude a loan

corporation or a trust corporation incorporated or continued under such Act from investing the funds which it receives as deposits;

- k) in which the provisions of the *Alberta Heritage Savings Trust Fund Act* and the regulations thereunder would not, subject to compliance with the prudent standards in respect of a portfolio of investments which avoid risk of loss and obtain a reasonable return that will enable the endowment portfolio and the transition portfolio that comprise the Alberta Heritage Savings Trust Fund (the “**Fund**”) to meet their respective prescribed objectives, preclude the Fund from investing its assets;
- l) in which the provisions of the *Employment Pension Plans Act* (Alberta) and the *Employment Pension Plans Regulation* (the “**Regulation**”) made thereunder would not preclude the administrator (as defined in the Act) of a pension plan from investing the assets of that pension plan, provided that such investment is made in accordance with the requirements of (i) Schedule III to the *Pension Benefits Standards Regulations, 1985* (made pursuant to the *Pension Benefits Standards Act, 1985* (Canada), (ii) the investment policies and procedures in respect of the pension plan’s portfolio of investments and loans established by the administrator of that pension plan pursuant to the Regulation, and (iii) the fiduciary obligations owed by the administrator as a result of the administrator acting in a fiduciary capacity in relation to members, former members and others entitled to benefits under the plan;
- m) in which the provisions of the *Insurance Act* (Alberta) and the regulations thereunder would not, subject to compliance with the prudent investment standards contained therein for a provincial company (as defined in that Act) making investment decisions and managing its total investments, and the policies and procedures established by the board of directors of such provincial company in that regard, preclude a provincial company from investing its funds;
- n) in which the provisions of *The Pension Benefits Act, 1992* (Saskatchewan) and the regulations thereunder would not, subject to compliance with the general investment provisions and restrictions contained in the *Pension Benefits Standards Regulations, 1985* (Canada), preclude a pension plan governed by *The Pension Benefits Act, 1992* (Saskatchewan) from investing its assets, provided that such pension plan has established a written statement of investment policies and procedures which complies with the *Pension Benefits Standards Regulations, 1985* (Canada) and that the investment by such pension plan in the Notes is not inconsistent with the investment policy of the pension plan as set out in such statement or with the standard of care of a prudent person;
- o) in which the provisions of *The Trustee Act* (Saskatchewan) would not preclude a trustee from investing trust property unless such investments are inconsistent with the instrument creating the trust and provided that in so doing the trustee exercises the care, skill, diligence and judgment that a reasonable, prudent investor would exercise in making investments, that the trustee acts in accordance with an investment plan which has regard to the factors required to be considered by *The Trustee Act* (Saskatchewan) and that the trustee has

diversified the investment of trust property to the extent required by *The Trustee Act* (Saskatchewan);

- p) in which the provisions of *The Pension Benefits Act* (Manitoba) and the regulations thereunder would not preclude a pension plan governed by such Act from investing its funds, pursuant to Subsection 16(2) of the regulations, which Subsection incorporates by reference Sections 6 to 7.2 and Schedule III of the *Pension Benefits Standards Regulations, 1985* (Canada);
- q) in which the provisions of *The Insurance Act* (Manitoba) would not preclude an insurer (as defined in such Act) incorporated and licensed under the laws of the Province of Manitoba from investing its surplus funds and reserve pursuant to the prudent investment policies, standards and procedures applicable to a company which has obtained an order under Section 53 of the *Insurance Companies Act* (Canada);
- r) in which the provisions of *The Trustee Act* (Manitoba) states that a trustee whose investment powers are governed by such Act may, subject to any express provision of the law or of the will or any other instrument creating the trust or defining the duties and powers of the trustee, invest any trust money if, subject to any express provision of the will or other instrument creating the trust, the trustee exercises the judgement and care that a person of prudence, discretion and intelligence would exercise in administering the property of others;
- s) in which the provisions of *An Act respecting Insurance* (Quebec) would not preclude an insurer (as defined in that Act) governed thereby (other than a guarantee fund) from investing its funds, subject to compliance with the prudent investment standards contained therein and provided that such investment is in compliance with the insurer's investment policy established pursuant to such Act and approved by its board of directors;
- t) in which the provisions of the *Supplemental Pension Plans Act* (Quebec) and the regulations thereunder would not, subject to compliance with the prudent standards for investment contained therein, preclude a pension plan registered pursuant thereto from investing its assets, provided that a written investment policy in compliance with such Act has been adopted and that such investment, if selected by the pension committee of such plan or a delegate thereof, falls into a category of investments specifically permitted in the investment policy for such plan applicable at the date of original issue of the Notes;
- u) in which the provisions of *An Act respecting Trust Companies and Savings Companies* (Quebec) would not preclude a trust or savings company, in each case as defined under such Act (except a trust company with respect to funds (except deposits) which it administers for other persons, unless otherwise provided in the instrument creating the administration), from investing its funds, subject to compliance with the prudent investment standards contained in such Act applicable to a Quebec company, including the adoption of and adherence to an investment policy approved by its board of directors;

- v) in which the provisions of the *Pension Benefits Act* (New Brunswick) and the regulations thereunder would not, subject to compliance with the prudent investment standards contained therein, preclude the funds of a pension plan registered under such Act from investing its funds, provided that such plan has adopted a written statement of investment policies and procedures in respect of the plan's portfolio of investments and loans in accordance with such Act and that the investment by such plan in the Notes is permitted under, and complies with, such statement;
  - w) in which the provisions of the *Trustees Act* (New Brunswick) would not preclude a trustee from making an investment, unless such trustee is otherwise directed by the will or any other instrument creating the trust or defining his powers and duties; provided that in so doing he exercises the judgment and care that a person of prudence, discretion and intelligence would exercise as a trustee of the property of others;
  - x) in which the provisions of the *Pension Benefits Act* (Nova Scotia) and the regulations thereunder would not, subject to compliance with the prudent investment standards contained therein, preclude the funds of a pension plan registered under such Act from investing its funds, provided that such plan has adopted a written statement of investment policies and procedures in respect of the plan's portfolio of investments and loans in accordance with such Act and that the investment by such plan in the Notes is permitted under, and complies with, such statement;
  - y) in which the provisions of the *Trustee Act* (Nova Scotia) would not preclude a trustee from making an investment, unless such trustee is otherwise directed by the will or other instrument creating the trust or defining his powers and duties; provided that in so doing he exercises the judgment and care that a person of prudence, discretion and intelligence would exercise as a trustee of the property of others;
  - z) in which the provisions of the *Pension Benefits Act 1997* (Newfoundland and Labrador) and the regulations thereunder would not preclude the funds of a pension plan registered under such Act from being invested, provided that such plan has adopted a written statement of investment policies and procedures in respect of the plan's portfolio of investments and loans in accordance with such Act and that the investment by such plan in the Notes is permitted under, and complies with, such statement.
6. The French version of the Information Memorandum and the bilingual form of Note (English and French) which it contains comply with the requirements of the *Charter of the French Language* of the province of Quebec, where applicable. The French texts of the Information Memorandum and the form of Note are in all material respects complete and proper translations of the corresponding English texts and are not susceptible of any materially different interpretation with respect to any material matter.
7. Our opinion with respect to enforceability in paragraph 3 above is subject to:

STIKEMAN ELLIOTT

- (i) applicable bankruptcy, insolvency, arrangement, moratorium and other similar laws of general application affecting creditors' rights and remedies;
- (ii) the discretion that a court may exercise in the granting of equitable remedies;
- (iii) to the extent the Notes are payable in currencies other than lawful money of Canada, the *Currency Act* (Canada), which provides that a court in Canada may grant monetary judgments only in lawful money of Canada; and
- (iv) the Notes may be subject to law applicable to unclaimed funds;
- (v) Section 347 of *Criminal Code* (Canada).

This opinion is given solely for the benefit of the persons to whom it is addressed and is provided solely in connection with the transaction to which it relates. It may not be quoted, in whole or in part, or otherwise referred to or used for any other purpose. This opinion is provided as of the date hereof and we disclaim any obligation or undertaking to advise you of any change in law or fact affecting this opinion occurring after the date thereof which we may be brought to our attention.

Yours very truly,

(Signed) STIKEMAN ELLIOTT

# Gaz Métropolitain, inc.

BILLET À ESCOMPTE  
DISCOUNT NOTE

DN-03000

GAZ MÉTROPOLITAIN, inc., pour valeur reçue, promet par les présentes de payer à ou à l'ordre de :  
GAZ MÉTROPOLITAIN, inc., for value received, hereby promises to pay to or to the order of:

**CDS and co**

le \_\_\_\_\_ 20 \_\_\_\_\_ au  
on \_\_\_\_\_ at  
la somme de \_\_\_\_\_  
the sum of \_\_\_\_\_  
en monnaie ayant cours légal au \_\_\_\_\_  
in lawful money of \_\_\_\_\_ Canada

DOLLARS (\$ \_\_\_\_\_)

sur présentation et remise du présent billet à ordre.  
upon due presentation and surrender of this promissory note.

**GAZ MÉTROPOLITAIN, inc.**

par :  
by:



Président et chef de la direction  
President and Chief Executive Officer

Contresigné pour et au nom de  
Countersigned for and on behalf of  
**TRUST GÉNÉRAL DU CANADA**  
**GENERAL TRUST OF CANADA**

par :  
by:



Vice-président et chef de la direction financière  
Vice President and Chief Financial Officer

par :  
by: \_\_\_\_\_  
Signature autorisée / Authorized signature

Ce billet ne deviendra valide que lorsque contresigné à la main par un officier autorisé du Trust Général du Canada.  
This note shall become valid only when manually authenticated by an authorized officer of General Trust of Canada.

Lettre de dépôt assujettie à la loi sur les lettres et billets de dépôts. / This is a depositary bill subject to the depositary bills and notes act.