

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell such securities. **These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See “Plan of Distribution”.**

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference in this short form prospectus may be obtained on request without charge from the Investor Relations Service of Valener (provided by Gaz Métro Limited Partnership, as manager), at 1717 du Havre, Montréal, Québec, H2K 2X3, by telephone at 514-598-3039 or toll free at 1-888-598-6220, by fax at 514-521-8168 or by email at [investors@valener.com](mailto:investors@valener.com), and are also available electronically on SEDAR at [www.sedar.com](http://www.sedar.com) and on Valener’s website at [www.valener.com](http://www.valener.com).

## SHORT FORM PROSPECTUS

New Issue

May 30, 2012



**\$100,000,000**

### **4,000,000 Cumulative Rate Reset Preferred Shares, Series A**

This short form prospectus qualifies the distribution (the “**Offering**”) of 4,000,000 Cumulative Rate Reset Preferred Shares, Series A (the “**Series A Shares**”) of Valener Inc. (“**Valener**”) at a price of \$25.00 per Series A Share (the “**Offering Price**”). For the initial period from and including the Closing Date (as defined herein) to, but excluding October 15, 2017 (the “**Initial Fixed Rate Period**”), the holders of Series A Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors of Valener (the “**board of directors of Valener**”), payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day (as defined herein), the immediately following Business Day) of January, April, July, and October in each year at an annual rate equal to \$1.0875 per share. The initial dividend will be payable on October 15, 2012 and will be \$0.39031 per share, based on the anticipated closing date of June 6, 2012 (the “**Closing Date**”). See “Details of the Offering”.

For each five-year period after the Initial Fixed Rate Period (each a “**Subsequent Fixed Rate Period**”), the holders of the Series A Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors of Valener, payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July, and October in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for each Subsequent Fixed Rate Period will be equal to the sum of the Government of Canada Yield (as defined herein) on the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period plus 2.81%. See “Details of the Offering”.

#### **Option to Convert Into Series B Shares**

Subject to Valener’s right to redeem all the Series A Shares, each holder of Series A Shares will have the right, at its option, to convert all or any of its Series A Shares into Cumulative Floating Rate Preferred Shares, Series B (the “**Series B Shares**”) of Valener on the basis of one Series B Share for each Series A Share converted, subject to certain conditions, on October 15, 2017 and on October 15 every five years thereafter. The holders of Series B Shares will be entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the board of directors of Valener, payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July, and October in each year, in the annual amount per Series B Share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate for a Quarterly Floating Rate Period (as defined herein) will be equal to the sum of the T-Bill Rate (as defined herein) plus 2.81% per annum (calculated on the basis of the actual number of days in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30<sup>th</sup> day prior to the first day of the applicable Quarterly Floating Rate Period. See “Details of the Offering”.

The Series A Shares will not be redeemable by Valener prior to October 15, 2017. On October 15, 2017 and on October 15 every five years thereafter, subject to certain other restrictions set out in “Details of the Offering – Description of the Series A Shares – Restrictions on Dividends and Retirement and Issue of Shares”, Valener may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem for cash all or any number of the outstanding Series A Shares for \$25.00 per Series A Share, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Valener). See “Details of the Offering – Description of the Series A Shares – Redemption”.

Subject to certain other restrictions set out in “Details of the Offering – Description of the Series B Shares – Restrictions on Dividends and Retirement and Issue of Shares”, Valener may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series B Shares by payment in cash of a per share sum equal to (i) \$25.00 in the case of redemptions on October 15, 2022 and on October 15 every five years thereafter (each a “**Series B Conversion Date**”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series B Conversion Date after October 15, 2017, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Valener). See “Details of the Offering – Description of the Series B Shares – Redemption”.

Holders of Series B Shares will have the right, at their option, to convert their Series B Shares into Series A Shares, subject to certain conditions, on each Series B Conversion Date. See “Details of the Offering – Description of the Series B Shares – Conversion of Series B Shares into Series A Shares”.

The Series A Shares and the Series B Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See “Risk Factors”.

Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation (“**S&P**”), has assigned a rating of P-2 (low) for the Series A Shares. DBRS Limited (“**DBRS**”) has assigned a provisional rating of Pfd-2 (low) with a Stable trend. See “Ratings”.

The Toronto Stock Exchange (the “**TSX**”) has conditionally approved the listing of the Series A Shares issued under the Offering and the Series B Shares issuable on conversion of the Series A Shares. Listing is subject to Valener fulfilling all of the listing requirements of the TSX.

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

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**Price: \$25.00 per Series A Share to yield initially 4.35% per annum**

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	Price to the Public	Underwriters’ Fee <sup>(1)</sup>	Net Proceeds to Valener <sup>(1)(2)</sup>
Per Series A Share .....	\$25.00	\$0.75	\$24.25
Total.....	\$100,000,000	\$3,000,000	\$97,000,000

Notes:

- (1) The Underwriters’ fee for the Series A Shares is \$0.25 for each such share sold to certain institutional investors and \$0.75 per share for all other Series A Shares sold by the Underwriters. The Underwriters’ fee indicated in the table assumes that no Series A Shares are sold to such institutional investors and is equal to 3% of the gross proceeds of the Offering.
- (2) After deducting the Underwriters’ fee, but before deducting the aggregate expenses of the Offering, estimated to be \$900,000, which, together with the Underwriters’ fee, will be paid by Valener.

**Investing in the Series A Shares and the Series B Shares involves risks that should be considered by prospective purchasers, certain of which are described in the “Risk Factors” section of and elsewhere in this short form prospectus including in the documents incorporated by reference.**

**This short form prospectus qualifies securities issued by Valener, and the certificate of the issuer to this short form prospectus has been executed on behalf of Valener only, even if certain information contained in this short form prospectus (including the documents incorporated by reference therein) relates to Gaz Métro Limited Partnership (“Gaz Métro”). See “Risk Factors”.**

BMO Nesbitt Burns Inc. and TD Securities Inc. (together, the “**Co-Lead Underwriters**”), with Desjardins Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and Laurentian Bank Securities Inc. are acting as underwriters (collectively, the “**Underwriters**”) of this Offering. The Underwriters, as principals,

conditionally offer the Series A Shares, subject to prior sale, if, as and when issued and sold by Valener and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of Valener by Borden Ladner Gervais LLP and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. The terms of the Offering were established through negotiation between Valener and the Underwriters. See “Plan of Distribution”.

Subject to applicable laws and in connection with this distribution, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series A Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

**After the Underwriters have made a bona fide effort to sell all of the Series A Shares offered under this short form prospectus at the Offering Price fixed in this short form prospectus, the Underwriters may reduce the Offering Price from time to time. Any such reduction will not affect the proceeds received by Valener. See “Plan of Distribution”.**

Subscriptions for the Series A Shares will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about June 6, 2012 or on such later date as Valener and the Underwriters may agree, but in any event, not later than June 29, 2012. At closing, a book-entry only certificate representing the Series A Shares distributed hereunder will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited with CDS on the Closing Date. Valener understands that a purchaser of Series A Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series A Shares are purchased. See “Book-Entry Only System”.

**BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks, and Desjardins Securities Inc. is an affiliate of a financial institution, which are currently lenders to Valener and certain of its subsidiaries. Consequently, Valener may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc. and Desjardins Securities Inc. under applicable Canadian securities laws. See “Relationship Between Valener and Certain Persons” and “Use of Proceeds”.**

Unless otherwise indicated, all dollar amounts in this short form prospectus are in Canadian dollars.

Valener has its head and registered office at 1717 du Havre, Montréal, Québec, H2K 2X3.

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## FORWARD-LOOKING STATEMENTS

This short form prospectus, including the documents it incorporates by reference, contains certain forward-looking statements and forward-looking information (collectively referred to as “**forward-looking statements**”) within the meaning of Canadian securities laws. Such forward-looking statements reflect the intentions, plans, expectations and opinions of the management of Gaz Métro inc. (“**GMI**”), the general partner of Gaz Métro, in its capacity as manager of Valener pursuant to an administration and management support agreement entered into between Valener and Gaz Métro on September 30, 2010 (the “**Management**”), regarding the future growth, operating results, performance and business prospects and opportunities of Valener and/or Gaz Métro and are based on information currently available to Management and on assumptions with respect to future events.

The words “plans”, “expects”, “estimates”, “forecasts”, “intends”, “anticipates” or “believes”, “may”, “could”, “would”, “might”, “will” or similar expressions, including the negative of these terms and future or conditional forms, often identify forward-looking statements. The forward-looking statements in this short form prospectus, including the documents it incorporates by reference include, among others, (i) statements on use of proceeds of the Offering, (ii) the timing of the distribution of the Series A Shares pursuant to the Offering, (iii) expected future distributions to be paid to partners of Gaz Métro, (iv) expected dividends to be paid to shareholders of Valener, (v) the general development of the business, (vi) growth or profitability outlooks, (vii) certain decisions made by regulatory agencies, (viii) the competitive landscape, (ix) the future commissioning of the wind power projects in which Valener and Gaz Métro are involved indirectly, (x) the development of natural gas as fuel for the transport industry, (xi) the potential distribution of biomethane through the Gaz Métro system, (xii) the development of Gaz Métro’s system with respect to shale gas, (xiii) the consequences of the change in the financial reporting framework, (xiv) the liquidity position and financing capacity of Valener and Gaz Métro, (xv) Gaz Métro’s acquisition of Central Vermont Public Service Corporation (“**CVPS**”), and (xvi) the project to supply the Côte-Nord in natural gas. Forward-looking statements involve known and unknown risks and uncertainties and other factors outside the control of the Management.

A number of factors could cause actual results of Valener and Gaz Métro to differ materially from current expectations as described in the forward-looking statements, including, but not limited to, the terms of the decisions rendered by governmental bodies, the general economic conditions, the competitiveness of natural gas in relation to other energy sources, the reliability of natural gas supplies, the integrity of the natural gas distribution system, the exchange rates fluctuations, the evolution of development projects, the capability to materialize attractive acquisitions, including the CVPS Acquisition (as defined herein), as well as obtaining related financing and effecting integration, the capability to obtain future financing and other factors described in the Annual Information Form (as defined herein) under the item “Risk Factors”, and in the MD&A (as defined herein), both incorporated by reference in this short form prospectus.

In respect of Valener, these also include risks associated with the uncertainty of future dividend payments, potential changes to Valener’s risk profile over time should Valener pursue growth opportunities in activities different from those currently pursued by Gaz Métro and the impact of such changes on Valener’s results and on the availability of financing for Valener going forward, potential dilution resulting from equity issuances by Gaz Métro that are not fully subscribed by Valener, the inability of Valener to fund its *pro rata* share of the development of the Seigneurie Projects (as defined herein) on a timely basis and on satisfactory terms or to complete the Seigneurie Projects within the contemplated timeframe and parameters, and other factors described under “Risk Factors”. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and Gaz Métro and Valener’s future course of action depends on the assessment of Management of all information available at the relevant time.

Although the forward-looking statements contained in this short form prospectus are based upon what Management believes to be reasonable assumptions, Management cannot assure investors that actual results will be consistent with these forward-looking statements. Assumptions underlying the forward-looking statements contained in this short form prospectus include assumptions to the effect that no unforeseen changes in the legislative and regulatory framework of energy markets in Québec and in the New England states will occur, that no significant event occurring outside the ordinary course of business, such as a natural disaster or other calamity, will occur, that Gaz Métro will be able to continue its practice of distributing substantially all of its net income (but excluding non-recurring items), that the wind power projects in which Valener and Gaz Métro are indirectly involved will be completed on time and within the defined parameters, that Gaz Métro will obtain the required approvals from federal and state authorities for the CVPS Acquisition, that Gaz Métro will obtain sufficient capital for the CVPS Acquisition, that Green Mountain Power Corporation will be able to quickly and effectively integrate CVPS’ operations, that the findings of the studies relating to the project to supply the Côte-Nord in natural gas will be positive and that the requisite regulatory approvals will be obtained, as well as other assumptions described in the Annual Information Form.

These forward-looking statements are made as of the date of this short form prospectus, and Management assumes no obligation to update or revise them to reflect new events or circumstances, except as required pursuant to applicable securities laws. Readers are cautioned not to place undue reliance on these forward-looking statements.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference in this short form prospectus may be obtained on request without charge from the Investor Relations Service of Valener (provided by Gaz Métro as manager), at 1717 du Havre, Montréal, Québec, H2K 2X3, by telephone at 514-598-3039 or toll free at 1-888-598-6220, by fax at 514-521-8168 or by email at [investors@valener.com](mailto:investors@valener.com), and are also available electronically on SEDAR at [www.sedar.com](http://www.sedar.com) and on Valener's website at [www.valener.com](http://www.valener.com).

The following documents of Valener, filed with the various securities commissions or similar authorities in each province and territories of Canada, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the annual information form of Valener dated December 16, 2011 for the year ended September 30, 2011 (the "**Annual Information Form**");
- (b) the annual audited consolidated financial statements of Valener for the year ended September 30, 2011 and for the 108-day period ended September 30, 2010, together with notes and the auditors' report dated November 17, 2011 on such financial statements, and the annual audited consolidated financial statements of Gaz Métro for the years ended September 30, 2011 and 2010, together with notes and the auditors' report dated November 17, 2011 on such financial statements;
- (c) the management's discussion and analysis dated November 17, 2011 of the annual audited consolidated financial statements of Valener and Gaz Métro for the years/periods ended September 30, 2011 and 2010 (the "**MD&A**");
- (d) the unaudited consolidated interim financial statements of Valener for the six-month period ended March 31, 2012 and the unaudited consolidated interim financial statements of Gaz Métro for the six month period ended March 31, 2012;
- (e) the management's discussion and analysis dated May 11, 2012 of the unaudited consolidated interim financial statements of Valener and of Gaz Métro for the six-month period ended March 31, 2012;
- (f) the management proxy circular of the management of Gaz Métro in its capacity as manager of Valener dated February 10, 2012 prepared in connection with the annual and special meeting of shareholders of Valener held on March 14, 2012;
- (g) the material change report of Valener dated March 9, 2012 with respect to GMi having entered into a new credit agreement for a \$600,000,000 secured revolving credit facility which will mature on March 2, 2017;
- (h) the material change report of Valener dated November 16, 2011 with respect to GMi having entered into an agreement to sell senior secured notes on a private placement basis to certain institutional investors in the United States and Canada, the proceeds of which have been loaned by GMi to Gaz Métro on substantially similar terms as to interest rate and maturity, and will be used by Gaz Métro to partially fund the CVPS Acquisition (as defined herein);
- (i) the material change report of Valener dated November 18, 2011 with respect to the closing of a \$725,000,000 non-recourse project financing for the Wind Power Projects 2 and 3 (as defined herein);
- (j) the material change report of Valener dated May 18, 2012 with respect to GMi having completed its private placement of senior secured notes of U.S.\$260 million aggregate principal amount to certain institutional investors in the United States and Canada, the proceeds of which have been loaned by GMi to Gaz Métro on substantially similar terms as to interest rate and maturity, and will be used by Gaz Métro to partially fund the CVPS Acquisition; and
- (k) the material change report of Valener dated May 24, 2012 with respect to the Offering.

Valener's financial statements are prepared in accordance with Canadian generally accepted accounting principles. Canadian publicly accountable enterprises within the meaning of the Handbook of the Canadian Institute of Chartered Accountants (the "**Handbook**") were required to adopt the International Financial Reporting Standards ("**IFRS**") that have been

included in the Handbook under Part I – International Financial Reporting Standards for fiscal periods beginning on or after January 1, 2011. However, in October 2010, the Accounting Standards Board (AcSB) amended the Introduction to Part I of the Handbook such that qualifying entities with rate-regulated activities may defer application of Part I by one year, meaning they would adopt IFRS for fiscal periods beginning on or after January 1, 2012. Valener qualifies for this deferral and has therefore chosen to continue presenting its consolidated financial statements in accordance with Part V of the Handbook, Pre-changeover Accounting Standards, for fiscal 2012. Furthermore, given the uncertainty surrounding the recognition of regulatory assets and liabilities under IFRS, Valener obtained in July 2011 a three-year exemption from the Canadian securities regulatory authorities allowing it to prepare consolidated financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), in order for Valener to meet its Canadian continuous disclosure obligations. In Valener’s opinion, applying U.S. GAAP would enable it to present financial information that better reflects the economic reality of its investment in an enterprise with rate-regulated activities, i.e., Gaz Métro. In addition, the financial information would remain comparable with the consolidated financial statements issued in previous periods, as U.S. GAAP allows for the continued recognition of regulatory assets and liabilities. Valener is therefore planning to apply U.S. GAAP when preparing its interim and annual consolidated financial statements for fiscal years 2013 to 2015, inclusively.

Any document of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the auditors’ report on such financial statements, interim financial statements, management’s discussion and analysis, material change report (excluding a confidential material change report) and business acquisition report, filed by Valener with the securities commissions or similar authorities in Canada subsequent to the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

**Any statement contained in this short form prospectus or in any other document incorporated or deemed to be incorporated by reference in this short form prospectus shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference in this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement nor include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

Information contained in or otherwise accessed through Valener’s or Gaz Métro’s websites, [www.valener.com](http://www.valener.com), [www.gazmetro.com](http://www.gazmetro.com) or any other website, other than those documents incorporated by reference in this short form prospectus and filed on the SEDAR website, does not form part of this short form prospectus.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Borden Ladner Gervais LLP, counsel to Valener, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, the Series A Shares and the Series B Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), if issued on the date of this short form prospectus, would be qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder for a trust governed by a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account (“**TFSA**”).

Notwithstanding that the Series A Shares and the Series B Shares may be qualified investments for a trust governed by a TFSA, RRSP and RRIF, the holder of a TFSA or the annuitant under a RRSP or RRIF will be subject to a penalty tax on the Series A Shares and the Series B Shares and other tax consequences may result if the Series A Shares and the Series B Shares are a “prohibited investment” for the TFSA, RRSP and RRIF. The Series A Shares and the Series B Shares will generally be a “prohibited investment” if the holder of a TFSA or the annuitant under a RRSP or RRIF does not deal at arm’s length with Valener for purposes of the Tax Act or the holder of the TFSA or the annuitant under a RRSP or RRIF has a “significant interest” (as defined in the Tax Act) in Valener or a corporation, partnership or trust with which Valener does not deal at arm’s length for purposes of the Tax Act. Holders are advised to consult their own tax advisors in this regard.

Holders who may wish to hold their Series A or Series B Shares in a trust governed by a TFSA, RRSP or RRIF are advised to consult their own tax advisors in this regard.

## BUSINESS OF VALENER

### General

Valener is a corporation incorporated on June 15, 2010 pursuant to the provisions of the *Canada Business Corporations Act* (the “CBCA”) initially for the purpose of participating in the reorganization of Gaz Métro’s public ownership structure into a new dividend-paying publicly listed corporation by way of a court-approved plan of arrangement effective September 30, 2010 (the “Arrangement”). The Arrangement involved the exchange by public unitholders (i.e. other than GMi and Gaz Métro Plus inc.), on a one-for-one basis, of all publicly owned units of Gaz Métro then outstanding for common shares of Valener.

Upon the completion of the Arrangement on September 30, 2010, Valener became a limited partner of Gaz Métro. Valener holds, as of the date of this short form prospectus, 36,640,673 units of Gaz Métro representing approximately 29.0% of all units of Gaz Métro while GMi and Gaz Métro Plus inc. hold, respectively, 89,688,806 and 8,551 units of Gaz Métro, representing approximately 71.0% of all units of Gaz Métro.

The head and registered office of Valener is located at 1717 du Havre Street, Montreal, Québec, Canada, H2K 2X3.

### Business of Valener

Valener’s business consists principally of the ownership of an approximately 29.0% economic interest in Gaz Métro. Valener therefore has a stake in the energy industry through the existing businesses of Gaz Métro and its subsidiaries, joint ventures or affiliates in which Gaz Métro has invested and benefits from the diversified profile of Gaz Métro, both geographically and by business segment.

Valener also holds a 24.5% indirect interest in the wind power projects currently being developed and to be developed on the private property of the Seigneurie de Beaupré owned by the Séminaire de Québec (the “Seigneurie Projects”), including two wind power projects for a total expected installed capacity of 272 megawatts (the “Wind Power Projects 2 and 3”) and a wind power project for an expected installed capacity of 69 megawatts (the “Wind Power Project 4”). The Seigneurie Projects’ site, located 60 kilometres northeast of Québec City, has key advantages, including exceptional wind power potential due to the quality of the wind and the proximity to Hydro-Québec TransÉnergie’s transmission lines. As the site is far from urban or residential areas, there will be virtually no visual, sound or environmental impacts. In addition, as a result of its interest of approximately 29.0% in Gaz Métro, Valener benefits from Gaz Métro’s 25.5% economic interest in those same Seigneurie Projects.

Valener may also pursue its own development projects and acquisition strategies, subject to a non-competition undertaking in favour of Gaz Métro with respect to Restricted Activities (as such term is defined in the Annual Information Form, incorporated herein by reference) in the Province of Québec and the State of Vermont as long as Valener beneficially owns, directly or indirectly, at least 7.5% of the issued and outstanding units of Gaz Métro and subject to applicable limitations under the Credit Facility (as defined herein).

### Ownership Interest in Gaz Métro

The Wind Power Projects 2 and 3 are expected to be commissioned in December 2013, and until then, the only source of income for Valener comes from its ownership interest in Gaz Métro. The amended and restated limited partnership agreement of Gaz Métro dated September 30, 2010 among the general partner, GMi, and the limited partners, Gaz Métro Plus inc. and Valener and to which Noverco Inc. intervened (the “Limited Partnership Agreement”) provides that Gaz Métro will distribute not less than 85.0% of its net income excluding non-recurring items, save and except for exceptions required (i) for the benefit of bondholders or lenders of Gaz Métro or GMi, as applicable, (ii) to ensure continued compliance with terms and conditions under the credit facilities and trust deeds of Gaz Métro and GMi, (iii) to comply with applicable regulations and laws, and (iv) to comply with any requirements of a regulatory authority. In addition, if GMi, as general partner of Gaz Métro, determines that it is appropriate, for any other reason (including as may be required for investments in the business, financing requirements or capital structure realignment of Gaz Métro), to distribute less than 85.0% of the net income excluding non-recurring items, it may cause Gaz Métro to do so provided that the resolution of the board of directors of GMi authorizing such lesser distribution has been adopted with the approval of at least 90.0% of the votes cast by directors. Furthermore, the Limited Partnership Agreement provides that, as long as Valener beneficially owns, directly or indirectly, at least 7.5% of the units of Gaz Métro, Noverco Inc., being the sole shareholder of GMi, undertakes to exercise the votes attached to all the shares of GMi it holds from time to time in favour of the election of the nominees of Valener (who need not be directors of Valener) as directors of GMi. The number of Valener representatives on the board of directors of GMi shall be equivalent to Valener’s pro rata interest in Gaz Métro. The Limited Partnership Agreement also provides that Noverco Inc., as sole shareholder of GMi, or any other partner of Gaz Métro, shall not, without the prior written consent of Valener, complete any transaction or take any action that would result in Valener

no longer having the ability indirectly to cause the election of its nominees as directors of GMi. Any amendment to the distribution practice provision of the Limited Partnership Agreement requires the consent of Valener as long as it owns, directly or indirectly, at least 10.0% of the units of Gaz Métro.

In order to enhance Valener's dividends to its shareholders, the partners of Gaz Métro agreed effective October 1, 2010 to amend the limited partnership agreement as it then read in order to grant, among others, an additional distribution to Valener in the amount of \$20 million payable over a 3-year period commencing on October 1, 2010. Consequently, pursuant to the terms of the Limited Partnership Agreement, since October 1, 2010, the amount to be distributed to Valener in each fiscal year, pursuant to the pro rata allocation mechanism among partners of Gaz Métro, has been increased by \$6,666,667 while the amount to be distributed to GMi in each fiscal year, pursuant to the same mechanism, has been reduced by \$6,666,667. The distributions to Valener will be so increased until Valener receives an aggregate amount of \$20.0 million over and above the distributions to which it is entitled based on its pro rata economic interest in Gaz Métro.

In addition, the Limited Partnership Agreement provides that any new units to be issued by Gaz Métro shall first be offered to each of Valener and GMi, which may purchase a number of new units corresponding to their respective pro rata share of units of Gaz Métro at fair market value, as determined by the board of directors of GMi (the "**Pre-Emptive Right**"). Each of Valener and GMi shall have a period of 60 days to confirm its intention to exercise its Pre-Emptive Right and commit to complete its capital injection, failing which it shall be deemed to have waived its Pre-Emptive Right, and, if the Pre-Emptive Right is exercised, up to six months (subject to certain exceptions) from the date of expiry of the 60-day acceptance period to complete its capital injection, failing which no new units shall be issued to such party, without limiting any available recourses of Gaz Métro.

### **Seigneurie Projects**

Valener obtained an option as part of the Arrangement, through which it could acquire, directly or indirectly, 49.0% of Gaz Métro's 50.0% indirect interest in the Seigneurie Projects (the "**Seigneurie Option**"). The Seigneurie Option was fully exercised on December 20, 2010, and Valener consequently acquired, through its wholly-owned subsidiary, Valener Éole Inc., a 49.0% interest in Beaupré Éole General Partnership ("**Beaupré Éole**"), a general partnership to which Gaz Métro and Gaz Métro Éole inc. transferred all their rights and assets related to the Wind Power Projects 2 and 3. The remaining interest in Beaupré Éole continues to be held by Gaz Métro Éole inc., a wholly-owned subsidiary of Gaz Métro. As a result of this transaction, Beaupré Éole replaced Gaz Métro Éole inc. within the consortium formed with Boralex Inc., with Beaupré Éole and Boralex Inc. becoming equal-share partners in Wind Power Projects 2 and 3 through their respective 50% ownership interest in Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("**Wind Farms 2 and 3**") (as further described in the Annual Information Form). As a result of the foregoing, Valener holds a 24.5% indirect interest in the Seigneurie Projects, including in the Wind Power Projects 2 and 3.

Completion of Wind Power Projects 2 and 3 represents a total investment of approximately \$750.0 million (including financing costs) for Wind Farms 2 and 3.

The investments required for Wind Power Projects 2 and 3 will be financed by Wind Farms 2 and 3 through debt and equity financing of about 80.0% debt and 20.0% equity. To this end, on November 8, 2011, Wind Farms 2 and 3 entered into a credit agreement for the financing of Wind Power Projects 2 and 3 with a group of lenders.

The total amount of the financing is \$725.0 million and consists of:

- (i) a two-year construction loan of \$590.0 million that will convert into an 18-year amortizing loan after the start of commercial operations scheduled for December 2013, which represents about 80.0% of the total expected investment, and
- (ii) short-term facilities, including a bridge loan and a letter of credit facility, totalling \$135.0 million, to finance certain costs reimbursable to Wind Farms 2 and 3 by Hydro-Québec to be incurred during construction and to provide various letters of credit.

With this financing for Wind Farms 2 and 3 and considering the investments and commitments totalling \$153.0 million by the partners of Wind Farms 2 and 3, Wind Power Projects 2 and 3 are fully funded. Valener Éole Inc., as a partner of Beaupré Éole, will be required to provide \$37.5 million, representing 24.5% of that \$153.0 million. As of March 31, 2012, Valener Éole Inc. has provided \$29.7 million in equity and will be required to provide an additional amount of approximately \$7.8 million to total its portion of 24.5%.

In addition to Wind Power Projects 2 and 3, the Seigneurie Projects could include the development, construction and operation of other wind power projects on the Seigneurie de Beaupré private property. Beaupré Eole 4 General Partnership, 51.0% owned indirectly by Gaz Métro and 49.0% owned indirectly by Valener, and Boralex Inc. each have a 50% interest in Wind Power Project 4, a development stage project with an expected installed capacity of 69 megawatts on the Seigneurie de Beaupré private property (as further described in the Annual Information Form). Wind Power Project 4 is expected to be commissioned in December 2014.

### **Management of Valener**

Valener does not currently have its own management team. Strategic decisions in Valener's current or potential business operations, affairs or investments (such as the approval of any growth opportunity or the exercise by Valener of its preemptive right in the event of a new issuance of units by Gaz Métro) requires the approval of the board of directors of Valener while the day-to-day management of Valener's interest in Gaz Métro is assumed by Gaz Métro, in its capacity as manager of Valener pursuant to certain administration and services agreements (as further described in the Annual Information Form). Under such agreements, Valener receives administrative and management support services from Gaz Métro, either directly or through GMi, Gaz Métro's general partner, relating solely to its interest in Gaz Métro and related public company matters, its financing needs, its indirect participation in the Seigneurie Projects, and, in certain circumstances, certain additional services.

## **RECENT DEVELOPMENTS**

### **Second Quarter of Fiscal 2012 Results**

Valener reported its unaudited consolidated financial results for the second quarter of fiscal 2012 ended March 31, 2012. Valener posted a net income of \$21.7 million, or \$0.58 per common share, for the quarter and \$31.8 million, or \$0.85 per common share, for the six months ended March 31, 2012. The net income mainly represents Valener's 29% share in the net income of Gaz Métro, partly offset by Valener's income tax expenses. Additional information about the second quarter 2012 financial results is included in the financial statements and related management's discussion and analysis for the period, which are incorporated by reference into this short form prospectus.

### **Acquisition of Central Vermont Public Service Corporation (CVPS) by Gaz Métro**

On July 12, 2011, in order to strengthen its presence in Vermont, Gaz Métro announced that it has signed a final agreement to purchase CVPS, the largest electric utility in Vermont (the "**CVPS Acquisition**"). The CVPS Acquisition, accepted on September 29, 2011 by a strong majority of the holders of common shares of CVPS, is also subject to regulatory approval from a number of U.S. federal and state regulators, as described in section 4.1.2 of the Annual Information Form. The approval of the following regulators is pending at the date hereof: Vermont Public Service Board, Nuclear Regulatory Commission and New Hampshire Public Service Board. Gaz Métro is confident that all the approvals to complete the CVPS Acquisition will be secured by summer 2012. Once the CVPS Acquisition is finalized, CVPS and Green Mountain Power Corporation, based in Vermont, a wholly-owned subsidiary of Northern New England Energy Corporation ("NNEEC"), also based in Vermont, itself a wholly-owned subsidiary of Gaz Métro, will combine their operations under NNEEC.

CVPS is being acquired for an all-cash consideration of US\$35.25 per share, amounting to approximately US\$485 million, not including transaction fees and certain other costs estimated at approximately US\$40 million.

Gaz Métro intends to finance the purchase price and transaction and other costs relating to the CVPS Acquisition by issuing US\$260,000,000 of debt and by raising \$260,000,000 of equity.

### *US\$260 Million Senior Secured Notes of GMi*

In order to finance the debt portion of the CVPS Acquisition, GMi entered into an agreement on November 11, 2011 to sell to certain institutional investors in the United States and Canada on a private placement basis US\$260 million aggregate principal amount of 3.86% senior secured notes due in 2022 and 5.06% senior secured notes due in 2042 (together, the "**Notes**"). The Notes are secured by a guarantee as to payment of principal and interest by Gaz Métro, together with collateral security backed by the assets of GMi and Gaz Métro.

Proceeds from the sale of the Notes were loaned by GMi to Gaz Métro on substantially similar terms as to interest rate and maturity, and will be used by Gaz Métro to partially fund the CVPS Acquisition. In the event that the CVPS Acquisition does not occur, proceeds will be used by Gaz Métro for general corporate purposes. Funding of the Notes was completed on May 15, 2012.

### *Subscription for New Units of Gaz Métro*

In order to finance the equity portion of the CVPS Acquisition, each of Valener and GMi has agreed to subscribe to new units of Gaz Métro, by way of a private placement, in accordance with the terms of the Pre-Emptive Right each of Valener and GMi has under the terms of the Limited Partnership Agreement. See “Business of Valener – Ownership Interest in Gaz Métro”.

In accordance with the terms of the Limited Partnership Agreement, Gaz Métro delivered to Valener and GMi a notice for a planned equity offering for gross proceeds of \$260 million to be used by Gaz Métro to finance the equity portion of the CVPS Acquisition (the “**Gaz Métro Equity Offering**”). Each of Valener and GMi duly exercised in full its Pre-Emptive Right in connection with the Gaz Métro Equity Offering and, thereby committed to subscribe for units of Gaz Métro for an aggregate subscription price of \$75.4 million and \$184.6 million, respectively. The subscription price for each unit of Gaz Métro will be based on the fair market value of such units at the time of such issuance as determined by the board of directors of GMi. After giving effect to such investment, Valener and GMi will maintain their pro rata current economic interest in Gaz Métro of approximately 29.0% for Valener and 71.0% for GMi. Valener will finance its subscription of new units of Gaz Métro with the net proceeds of the Offering. The Gaz Métro Equity Offering is expected to close shortly before or after the closing of the CVPS Acquisition. In the event the CVPS Acquisition does not proceed, the Gaz Métro Equity Offering will not be completed and Valener will use the net proceeds of this Offering as set forth under “Use of Proceeds”.

### **New \$600 Million Credit Facility for Gaz Métro**

GMi entered into a new credit agreement on March 2, 2012 with a bank syndicate providing for a \$600 million secured revolving credit facility which will mature on March 2, 2017. The new credit facility, which replaces the \$400 million credit facility originally put in place on December 21, 2004, is guaranteed by Gaz Métro and is comprised of a revolving loan available to GMi and a swingline loan available to GMi and Gaz Métro. The new credit facility is also secured by collateral security backed by the assets of GMi and Gaz Métro.

### **New \$200 Million Credit Facility for Valener**

On October 27, 2011, Valener amended its credit facility in order to increase the \$75.0 million committed revolving credit facility that it entered into on September 30, 2010 to \$200.0 million (the “**Credit Facility**”). The Credit Facility is secured by the units of Gaz Métro and the shares of Valener Éole Inc. held by Valener.

Valener will use the Credit Facility for its general corporate purposes (including the funding of energy-related project development costs and investments in Gaz Métro, the Seigneurie Projects and project vehicles as permitted under the Credit Facility) as well as for bridging cash dividends to its shareholders.

The Credit Facility has a term of five years and is available by way of bankers’ acceptances, prime rate loans and/or letters of credit.

### **Additional Subscription for New Units of Gaz Métro**

In addition to the Gaz Métro Equity Offering, Gaz Métro delivered to Valener and GMi a notice for a planned equity offering for gross proceeds of \$75 million, scheduled to be completed in September 2012, to be used to fund, among others, the development of Green Mountain Power Corporation’s Kingdom Community Wind Project in Vermont (as further described in the Annual Information Form). In accordance with the terms of the Limited Partnership Agreement, each of Valener and Gaz Métro has exercised in full its Pre-Emptive Right in respect of such equity offering. The subscription price for each unit of Gaz Métro will be based on the fair market value of such units at the time of such issuance as determined by the board of directors of GMi. The investment by Valener and GMi in such units will be an aggregate of \$21.8 million and \$53.2 million respectively, resulting in Valener and GMi maintaining their respective interest of approximately 29.0% and 71.0% in Gaz Métro. Valener’s investment is expected to be fully financed out of a portion of the net proceeds of the Offering and the balance using, if necessary, cash on hand and the Credit Facility. See “Use of Proceeds”.

## **USE OF PROCEEDS**

The estimated net proceeds from the Offering, after deducting fees payable to the Underwriters and the expenses of the Offering payable by Valener will be approximately \$96,100,000 (assuming that no Series A Shares are sold to certain institutional investors). The net proceeds of the Offering will be used by Valener to subscribe to additional units of Gaz Métro upon the issuance of additional units by Gaz Métro to both GMi and Valener in order for Gaz Métro to finance the equity portion for the proposed CVPS Acquisition (\$75.4 million) and the development of Green Mountain Power Corporation’s Kingdom

Community Wind Project in Vermont (\$21.8 million). The balance of the net proceeds of the Offering, if any, will be used for general corporate purposes. See “Recent Developments”.

In the event the CVPS Acquisition does not receive all required regulatory approvals or the acquisition does not otherwise proceed, Valener will not subscribe for units of Gaz Métro as it relates to the funding of the CVPS Acquisition, as Gaz Métro will not proceed with the issuance. Instead, Valener will use the net proceeds of the Offering to subscribe to additional units of Gaz Métro upon the issuance of additional units by Gaz Métro to both GMi and Valener in order for Gaz Métro to finance the development of Green Mountain Power Corporation’s Kingdom Community Wind Project in Vermont (\$21.8 million), to reduce indebtedness (up to \$45.5 million based on the amount outstanding as at March 31, 2012), and the balance for general corporate purposes (including for the Seigneurie Projects and project vehicles as permitted under the Credit Facility). In particular, in such circumstances, Valener intends to use a portion of the proceeds of the Offering (up to approximately \$45.5 million) to repay the amounts outstanding under the Credit Facility which indebtedness was incurred by Valener to, among others, fund its indirect interest in Wind Power Projects 2 and 3. The Credit Facility has been provided by Canadian chartered banks which are affiliates of BMO Nesbitt Burns Inc., TD Securities Inc., and National Bank Financial Inc. and with a financial institution which is an affiliate of Desjardins Securities Inc. Consequently, Valener may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc. and Desjardins Securities Inc. under applicable securities laws in certain Canadian provinces. See “Relationship Between Valener and Certain Persons”.

## DESCRIPTION OF SHARE CAPITAL

The authorized share capital of Valener consists of an unlimited number of common shares (the “**Common Shares**”) and 10,000,000 preferred shares (the “**Preferred Shares**”), issuable in series. Holders of Common Shares are entitled, subject to the rights, privileges, conditions and restrictions attaching to any other class of shares ranking senior to the Common Shares with respect to dividends, to receive any dividends declared by the board of directors of Valener and are entitled to one vote per share on all matters to be voted on at all meetings of shareholders. Subject to the rights, privileges, conditions and restrictions attaching to any other class of shares ranking senior to the Common Shares, in the event of the voluntary or involuntary liquidation, dissolution or winding-up of Valener, or in the event of the distribution of the assets of Valener for the purpose of winding-up its affairs, the holders of Common Shares will be entitled to share ratably in the remaining assets available for distribution, after payment of liabilities.

Holders of a series of Preferred Shares are not in that capacity authorized to receive any notice of meeting of shareholders of Valener, to attend or to vote thereat (except as provided in the CBCA and in certain specific circumstances that may be determined upon the creation of a series of Preferred Shares).

Subject to the provisions of the CBCA, the Preferred Shares in each series will rank equally with the Preferred Shares of any other series. The Preferred Shares will rank senior to the Common Shares and the other shares of Valener that rank junior to the Preferred Shares with respect to the payment of dividends and the distribution of the remaining assets in the event of Valener’s liquidation, dissolution or winding-up, whether voluntary or involuntary, to the extent determined in the case of each series and they may also have such other preference over the Common Shares and any other shares of Valener that rank junior to the Preferred Shares as may be determined in each series.

At the close of business on the date hereof, there were 37,486,082 issued and outstanding Common Shares and no Preferred Shares were issued and outstanding.

## DETAILS OF THE OFFERING

The following is a summary of certain material rights, privileges, restrictions and conditions attaching to the Series A Shares, as a series, and the Series B Shares, as a series, each of which will represent a series of Preferred Shares of Valener. See “Description of Share Capital”.

This summary is qualified in its entirety by reference to the articles of Valener pursuant to which the Preferred Shares were created, copies of which were filed on and are available electronically at [www.sedar.com](http://www.sedar.com) and the articles of amendment of Valener fixing the specific rights, privileges, restrictions and conditions attaching to the Series A Shares and the Series B Shares which will be filed by Valener on and available electronically at [www.sedar.com](http://www.sedar.com).

## Description of the Series A Shares

The following is a summary of certain provisions attaching to the Series A Shares as a series.

### *Definition of Terms*

The following definitions are relevant to the Series A Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.81%.

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

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

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

“**Initial Fixed Rate Period**” means the period from and including the Closing Date to, but excluding, October 15, 2017.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period from and including October 15, 2017 to, but excluding, October 15, 2022 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to, but excluding, October 15 in the fifth year thereafter.

### *Issue Price*

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

### *Dividends*

During the Initial Fixed Rate Period, the holders of the Series A Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the board of directors of Valener, payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year during the Initial Fixed Rate Period, at an annual rate equal to \$1.0875 per share. The initial dividend will be payable on October 15, 2012 and will be \$0.39031 per share, based on the anticipated Closing Date of June 6, 2012.

During each Subsequent Fixed Rate Period, the holders of Series A Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors of Valener, payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July and October in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to each Subsequent Fixed Rate Period will be determined by Valener on the Fixed Rate Calculation Date for such Subsequent Fixed Rate Period. Such determination will, in the absence of manifest error, be final and binding on Valener and all holders of Series A Shares. Valener will, on such Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series A Shares.

Payments of dividends and other amounts in respect of the Series A Shares will be made by Valener to CDS, or its nominee, as the case may be, as registered holder of the Series A Shares. As long as CDS, or its nominee, is the registered holder of the Series A Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series A Shares for the purposes of receiving payment on the Series A Shares.

#### *Redemption*

The Series A Shares will not be redeemable by Valener prior to October 15, 2017. On October 15, 2017 and on October 15 every five years thereafter (or, if such date is not a Business Day, the immediately following Business Day), and subject to certain other restrictions set out below under the heading “Description of the Series A Shares – Restrictions on Dividends and Retirement and Issue of Shares”, Valener may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series A Shares by payment in cash of a per share sum equal to \$25.00, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Valener).

If less than all of the outstanding Series A Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the board of directors of Valener may, in its sole discretion, determine by resolution.

The Series A Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series A Shares. See “Risk Factors”.

#### *Conversion of Series A Shares into Series B Shares*

Subject to Valener’s right to redeem the Series A Shares as described above, each holder of Series A Shares will have the right, at its option, on October 15, 2017 and on October 15 every five years thereafter (a “**Series A Conversion Date**”), to convert, subject to the restrictions on conversion described below and the payment or delivery to Valener of evidence of payment of the tax (if any) payable, all or any of its Series A Shares into Series B Shares on the basis of one Series B Share for each Series A Share converted. If a Series A Conversion Date falls on a day that is not a Business Day, such Series A Conversion Date will be the immediately following Business Day. The conversion of Series A Shares may be effected upon written notice (each notice an “**Election Notice**”) given by the registered holder of the Series A Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Montréal time) on the 15<sup>th</sup> day preceding the applicable Series A Conversion Date. Once received by Valener, an election notice is irrevocable.

Valener will, at least 30 days and not more than 60 days prior to the applicable Series A Conversion Date, give notice in writing to the then registered holders of the Series A Shares of the Series A Conversion Date and a form of Election Notice. On the 30<sup>th</sup> day prior to each Series A Conversion Date, Valener will give notice in writing to the then registered holders of the Series A Shares of the Annual Fixed Dividend Rate for the next Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series B Shares for the next succeeding Quarterly Floating Rate Period (as these terms are defined below).

If Valener gives notice to the registered holders of the Series A Shares of the redemption on a Series A Conversion Date of all the Series A Shares, Valener will not be required to give notice as provided hereunder to the registered holders of the Series A Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series A Shares and the right of any holder of Series A Shares to convert such Series A Shares will cease and terminate in that event.

Holders of Series A Shares will not be entitled to convert their shares into Series B Shares if Valener determines that there would remain outstanding on a Series A Conversion Date fewer than 1,000,000 Series B Shares, after having taken into account all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares and all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares. Valener will give notice in writing to all affected holders of Series A Shares of their inability to convert their Series A Shares at least seven days prior to the applicable Series A Conversion Date. Furthermore, if Valener determines that there would remain outstanding on a Series A Conversion Date fewer than 1,000,000 Series A Shares, after having taken into account all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares and all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares, then, all, but not part, of the remaining outstanding Series A Shares will automatically be converted into Series B Shares on the basis of one Series B Share for each Series A Share, on the applicable Series A Conversion Date. Valener will give notice in writing to this effect to the then registered holders of such remaining Series A Shares at least seven days prior to the applicable Series A Conversion Date.

Upon exercise by a registered holder of its right to convert Series A Shares into Series B Shares (and upon an automatic conversion), Valener reserves the right not to issue Series B Shares to any person whose address is in, or whom Valener or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require Valener to take any action to comply with the securities or analogous laws of such jurisdiction.

#### *Purchase for Cancellation*

Subject to applicable law and to the provisions described below under “Description of the Series A Shares – Restrictions on Dividends and Retirement and Issue of Shares”, Valener may at any time purchase for cancellation by private contract or in the market or by tender all or any number of the Series A Shares outstanding at the lowest price or prices at which, in the opinion of the board of directors of Valener, such shares are obtainable.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of Valener or any other distribution of assets of Valener among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Valener and of holders of shares of Valener ranking prior to the Series A Shares, the holders of the Series A Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by Valener), before any amount is paid or any assets of Valener are distributed to the holders of any shares ranking junior as to capital to the Series A Shares. Upon payment of such amounts, the holders of the Series A Shares will not be entitled to share in any further distribution of the assets of Valener.

#### *Priority*

The Series A Shares will rank *pari passu* with every other series of Preferred Shares, including the Series B shares, but senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Valener, whether voluntary or involuntary, or in the event of any other distribution of assets of Valener among its shareholders for the purpose of winding-up its affairs. The Series A Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Valener, whether voluntary or involuntary, or in the event of any other distribution of assets of Valener among its shareholders for the purpose of winding-up its affairs.

#### *Restrictions on Dividends and Retirement and Issue of Shares*

So long as any of the Series A Shares are outstanding, Valener will not, without the approval of the holders of the Series A Shares:

1. declare, pay or set apart for payment any dividends (other than dividends payable in shares of Valener ranking as to capital and dividends junior to the Series A Shares) on any shares of Valener ranking as to dividends junior to the Series A Shares;
2. except out of the net cash proceeds of a substantially concurrent issue of shares of Valener ranking as to capital and dividends junior to the Series A Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of Valener ranking as to capital junior to the Series A Shares;
3. redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series A Shares then outstanding;
4. except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to capital or dividends on a parity with the Series A Shares; or
5. issue or create any shares ranking as to the payment of dividend or capital prior to the Series A Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series A Shares and on all other shares of Valener ranking prior to or on a parity with the Series A Shares with respect to the payment of dividends have been declared and paid or monies set apart for payment.

### *Shareholders' Approvals*

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series A Shares as a series and any other approval to be given by the holders of the Series A Shares may be given by a resolution signed by all holders of the Series A Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the Series A Shares represented at a meeting of the holders of Series A Shares duly called for that purpose and at which the holders of at least 25% of the outstanding Series A Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series A Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series A Shares as a series, each such holder shall be entitled to one vote in respect of each Series A Share held by such Holder.

### *Voting Rights*

The holders of the Series A Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series A Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of Valener, unless and until Valener shall have failed to pay eight quarterly dividends on the Series A Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of Valener properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series A Shares will be entitled to receive notice of and to attend each meeting of Valener's shareholders, other than meetings at which only holders of another specified class or Series are entitled to vote, and be entitled to vote together with all of the voting shares of Valener on the basis of one vote in respect of each Series A Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease.

### *Tax Election*

Valener will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series A Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

### **Description of the Series B Shares**

The following is a summary of certain provisions attaching to the Series B Shares as a series.

### *Definition of Terms*

The following definitions are relevant to the Series B Shares.

**"Bloomberg Screen CA3MAY Page"** means the display designated as page "CA3MAY<INDEX>" on the Bloomberg Financial L.P. service (or such other page as may replace the CA3MAY page on that service) for purposes of displaying the T-Bill Rate;

**"Floating Quarterly Dividend Rate"** means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.81% (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365).

**"Floating Rate Calculation Date"** means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

**"Quarterly Commencement Date"** means the 15<sup>th</sup> day of each of January, April, July, and October in each year.

**"Quarterly Floating Rate Period"** means, for the initial Quarterly Floating Rate Period, the period from and including October 15, 2017 to, but excluding, January 15, 2018, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to, but excluding, the next succeeding Quarterly Commencement Date.

**"T-Bill Rate"** means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on 90-day Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date as quoted on the Bloomberg Screen CA3MAY Page;

provided that if such information does not appear on the Bloomberg Screen CA3MAY Page on the applicable Floating Rate Calculation Date, then as determined by Valener.

#### *Issue Price*

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

#### *Dividends*

The holders of the Series B Shares will be entitled to receive floating rate, cumulative, preferential cash dividends, as and when declared by the board of directors of Valener, payable quarterly on the 15<sup>th</sup> day (or, if such day is not a Business Day, the immediately following Business Day) of January, April, July, and October in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by Valener on the Floating Rate Calculation Date for such Quarterly Floating Rate Period. Such determination will, in the absence of manifest error, be final and binding upon Valener and upon all holders of Series B Shares. Valener will, on such relevant Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series B Shares.

Payments of dividends and other amounts in respect of the Series B Shares will be made by Valener to CDS, or its nominee, as the case may be, as registered holder of the Series B Shares. As long as CDS, or its nominee, is the registered holder of the Series B Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series B Shares for the purposes of receiving payment on the Series B Shares.

#### *Redemption*

Subject to certain other restrictions set out below under the heading “Description of the Series B Shares – Restrictions on Dividends and Retirement and Issue of Shares”, Valener may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or any number of the outstanding Series B Shares by payment in cash of a per share sum equal to (i) \$25.00 in the case of redemptions on October 15, 2022 and on October 15 every five years thereafter (each a “**Series B Conversion Date**”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series B Conversion Date after October 15, 2017, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Valener). If a Series B Conversion Date falls on a day that is not a Business Day, such Series B Conversion Date will be the immediately following Business Day.

If less than all of the outstanding Series B Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a pro rata basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the board of directors of Valener may, in its sole discretion, determine by resolution.

The Series B Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series B Shares. See “Risk Factors”.

#### *Conversion of Series B Shares into Series A Shares*

Subject to Valener’s right to redeem the Series B Shares as described above, each holder of Series B Shares will have the right, at its option, on any Series B Conversion Date, to convert, subject to the restrictions on conversion described below and the payment or delivery to Valener of evidence of payment of the tax (if any) payable, all or any of its Series B Shares into Series A Shares on the basis of one Series A Share for each Series B Share converted. If a Series B Conversion Date falls on a day that is not a Business Day, such Series B Conversion Date will be the immediately following Business Day. The conversion of Series B Shares may be effected upon an Election Notice given by the registered holder of the Series B Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Montréal time) on the 15<sup>th</sup> day preceding the applicable Series B Conversion Date. Once received by Valener, an Election Notice is irrevocable.

Valener will, at least 30 days and not more than 60 days prior to the applicable Series B Conversion Date, give notice in writing to the then registered holders of the Series B Shares of the Series B Conversion Date and a form of Election Notice. On the 30<sup>th</sup> day prior to each Series B Conversion Date, Valener will give notice in writing to the then registered holders of Series B Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and of the Annual Fixed Dividend Rate applicable to the Series A Shares for the next succeeding Subsequent Fixed Rate Period.

If Valener gives notice to the registered holders of the Series B Shares of the redemption on a Series B Conversion Date of all the Series B Shares, Valener will not be required to give notice as provided hereunder to the registered holders of the Series B Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or of the conversion right of holders of Series B Shares and the right of any holder of Series B Shares to convert such Series B Shares will cease and terminate in that event.

Holders of Series B Shares will not be entitled to convert their shares into Series A Shares if Valener determines that there would remain outstanding on a Series B Conversion Date fewer than 1,000,000 Series A Shares, after having taken into account all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares and all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares. Valener will give notice in writing to all affected holders of Series B Shares of their inability to convert their Series B Shares at least seven days prior to the applicable Series B Conversion Date. Furthermore, if Valener determines that there would remain outstanding on a Series B Conversion Date fewer than 1,000,000 Series B Shares, after having taken into account all Election Notices in respect of Series B Shares tendered for conversion into Series A Shares and all Election Notices in respect of Series A Shares tendered for conversion into Series B Shares, then, all, but not part, of the remaining outstanding Series B Shares will automatically be converted into Series A Shares on the basis of one Series A Share for each Series B Share, on the applicable Series B Conversion Date. Valener will give notice in writing to this effect to the then registered holders of such remaining Series B Shares at least seven days prior to the applicable Series B Conversion Date.

Upon exercise by a registered holder of its right to convert Series B Shares into Series A Shares (and upon an automatic conversion), Valener reserves the right not to issue Series A Shares to any person whose address is in, or whom Valener or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require Valener to take any action to comply with the securities or analogous laws of such jurisdiction.

#### *Purchase for Cancellation*

Subject to applicable law and to the provisions described below under “Description of the Series B Shares – Restrictions on Dividends and Retirement and Issue of Shares”, Valener may at any time purchase for cancellation by private contract or in the market or by tender all or any number of the Series B Shares outstanding at the lowest price or prices at which in the opinion of the board of directors of Valener, such shares are obtainable.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of Valener or any other distribution of assets of Valener among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Valener and of holders of shares of Valener ranking prior to the Series B Shares, the holders of the Series B Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by Valener), before any amount is paid or any assets of Valener are distributed to the holders of any shares ranking junior as to capital to the Series B Shares. Upon payment of such amounts, the holders of the Series B Shares will not be entitled to share in any further distribution of the assets of Valener.

#### *Priority*

The Series B Shares will rank *pari passu* with every other series of Preferred Shares, including the Series A Shares, but senior to the Common Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Valener, whether voluntary or involuntary, or in the event of any other distribution of assets of Valener among its shareholders for the purpose of winding-up its affairs.

#### *Restrictions on Dividends and Retirement and Issue of Shares*

So long as any of the Series B Shares are outstanding, Valener will not, without the approval of the holders of the Series B Shares:

1. declare, pay or set apart for payment any dividends (other than dividends payable in shares of Valener ranking as to capital and dividends junior to the Series B Shares) on any shares of Valener ranking as to dividends junior to the Series B Shares;
2. except out of the net cash proceeds of a substantially concurrent issue of shares of Valener ranking as to capital and dividends junior to the Series B Shares, redeem or call for redemption, purchase for cancellation

or otherwise pay off, retire or make any return of capital in respect of any shares of Valener ranking as to capital junior to the Series B Shares;

3. redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series B Shares then outstanding;
4. except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to capital or dividends on a parity with the Series B Shares; or
5. issue or create any shares ranking as to the payment of dividend or capital prior to the Series B Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series B Shares and on all other shares of Valener ranking prior to or on a parity with the Series B Shares with respect to the payment of dividends have been declared and paid or monies set apart for payment.

#### *Shareholders' Approvals*

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series B Shares as a series and any other approval to be given by the holders of the Series B Shares may be given by a resolution signed by all holders of the Series B Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the Series B Shares represented at a meeting of the holders of Series B Shares duly called for that purpose and at which the holders of at least 25% of the outstanding Series B Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series B Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series B Shares as a series, each such holder shall be entitled to one vote in respect of each Series B Share held by such holder.

#### *Voting Rights*

The holders of the Series B Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series B Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of Valener, unless and until Valener shall have failed to pay eight quarterly dividends on the Series B Shares, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of Valener properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series B Shares will be entitled to receive notice of and to attend each meeting of Valener's shareholders, other than meetings at which only holders of another specified class or Series are entitled to vote, and be entitled to vote together with all of the voting shares of Valener on the basis of one vote in respect of each Series B Share held by such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease.

#### *Tax Election*

Valener will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 at a rate such that the corporate holders of Series B Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

### **BOOK-ENTRY ONLY SYSTEM**

Registration of interests in and transfers of the Series A Shares and of the Series B Shares, as applicable, will be made only through a book-entry only system administered by CDS. On or about June 6, 2012, the expected Closing Date, but no later than June 29, 2012, Valener will deliver to CDS certificates evidencing the aggregate number of Series A Shares subscribed for under the Offering. Series A Shares and Series B Shares must be purchased, transferred and surrendered for conversion or redemption through a participant in CDS (a "**CDS Participant**"). All rights of an owner of Series A Shares or Series B Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds Series A Shares or Series B Shares, as applicable. Upon purchase of any Series A Shares or Series B Shares, as applicable, the owner will receive only the customary confirmation. References in this short form prospectus to a holder of Series A Shares or Series B Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series A Shares or Series B Shares to pledge the Series A Shares or Series B Shares, as applicable, or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Valener has the option, at its sole discretion, to terminate registration of the Series A Shares or Series B Shares through the book-entry only system in which case certificates for Series A Shares or Series B Shares, as applicable, in fully registered form will be issued to beneficial owners of such shares or their nominees.

### PRIOR SALES

Other than in respect of the Offering, Valener has not sold or agreed to sell or issue any Preferred Shares or securities convertible into Preferred Shares.

### EARNINGS COVERAGE RATIO

After giving effect to the Offering, the annual aggregate dividend requirements on the Series A Shares (based on an annual dividend rate of \$1.0875 per share), adjusted to a pre-tax equivalent using an effective income tax rate of 32.3% for the twelve months ended September 30, 2011 and 31.9% for the twelve months ended March 31, 2012, would amount to \$6.425 million and \$6.386 million, respectively. Valener's interest requirements for the twelve months ended September 30, 2011 and for the twelve months ended March 31, 2012 were \$0.122 million and \$0.185 million, respectively. Valener's consolidated net income before interest and income taxes was \$45,365,000 for the twelve months ended September 30, 2011 and \$42,737,000 for the twelve months ended March 31, 2012, which is approximately 6.9 times and 6.5 times, respectively, Valener's annual aggregate pre-tax dividend and interest requirements for the periods.

### CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Valener as at the dates indicated before and after the completion of the Offering. This table should be read in conjunction with the financial statements of Valener incorporated by reference into this short form prospectus.

<i>(\$000s)</i>	<u>As at March 31, 2012</u>	<u>As at March 31, 2012 after giving effect to the Offering</u>
<b>Indebtedness:</b>		
Long-term debt .....	44,296	44,296
<b>Total indebtedness</b>	<u>44,296</u>	<u>44,296</u>
<b>Shareholders' equity:</b>		
Common Shares .....	630,466	630,466
Series A Shares .....		96,100 <sup>(1)</sup>
Retained earning .....	5,919	5,919
Accumulated other comprehensive income .....	(25,108)	(25,108)
<b>Total shareholders' equity:</b>	<u>611,277</u>	<u>707,377</u>
<b>Total capitalization .....</b>	<u><u>655,573</u></u>	<u><u>751,673</u></u>

Note:

(1) Representing the expected net proceeds of issue of the Series A Shares.

## TRADING PRICE AND VOLUME

The Common Shares are listed and trade on the TSX. The trading symbol for the Common Shares is “VNR”. The following table sets forth the trading history of the Common Shares for each month in the twelve-month period ended April 30, 2012 and for the 29-day period ended May 29, 2012.

	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<u>2011</u>			
May .....	16.88	16.05	850,590
June .....	16.73	16.15	675,183
July .....	16.49	16.04	617,376
August.....	16.36	15.02	824,081
September .....	15.94	13.96	1,188,276
October .....	15.25	13.55	702,201
November .....	16.05	14.41	1,400,206
December .....	16.29	15.57	964,288
<u>2012</u>			
January .....	16.50	15.94	542,922
February .....	16.39	15.82	676,966
March .....	16.00	15.17	977,901
April .....	15.40	14.80	693,647
May 1 <sup>st</sup> to May 29.....	15.40	14.83	584,944

## RATINGS

The Series A Shares have been given a Canadian scale rating of P-2 (low) by Standard & Poor’s (“S&P”). A “P-2 (low)” rating by S&P is the lowest sub-category within the second highest rating of the eight standard categories of ratings utilized by S&P for preferred shares. S&P’s ratings for preferred shares range from a high of P-1 to a low of C. According to S&P, an issuer whose preferred shares are rated in the P-2 category has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its financial commitments than an issuer in higher-rated categories.

The Series A Shares have been assigned a provisional rating of “Pfd-2 (low)”, with a Stable trend by DBRS Limited (“DBRS”). The DBRS rating of “Pfd-2 (low)” is the lowest sub-category within the second highest rating of the five standard categories of ratings utilized by DBRS for preferred shares. DBRS’ ratings for preferred shares range from a high of Pfd-1 to a low of D. According to the DBRS rating system, preferred shares rated “Pfd-2” are of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as “Pfd-1” rated companies. “High” and “low” grades may be used to indicate the relative standing of a credit within a particular rating category.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Prospective purchasers should consult the rating organizations with respect to the interpretation and implications of the foregoing ratings. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating agency at any time if in its judgment circumstances so warrant.

## PLAN OF DISTRIBUTION

Pursuant to the underwriting agreement dated May 18, 2012 between Valener and the Underwriters (the “**Underwriting Agreement**”), Valener has agreed to issue and sell an aggregate of 4,000,000 Series A Shares to the Underwriters, and the Underwriters have agreed to purchase such Series A Shares on June 6, 2012 or such other date as Valener and the Underwriters may agree, but in any event, not later than June 29, 2012. Delivery of such Series A Shares is conditional upon payment on closing by the Underwriters to Valener of \$25.00 per Series A Share for a total consideration of \$100,000,000, against delivery of a certificate representing such Series A Shares to CDS and subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Underwriting Agreement provides that Valener will pay or cause to be paid to the Underwriters a fee of \$0.25 per Series A Share sold to certain institutional investors and a fee of \$0.75 per Series A Share sold to all other investors, in consideration for their services in connection with the Offering. The terms of the Offering were established through negotiation between Valener and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all Series A Shares agreed to be purchased under the Underwriting Agreement. Valener has agreed to indemnify each of the Underwriters and each of their respective directors, officers, employees, agents and other representatives against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or will contribute to payments the Underwriters may be required to make in respect thereof.

Pursuant to the terms of the Underwriting Agreement, subject to certain exceptions, Valener has agreed not to authorize, offer, issue or sell, or announce its intention to sell any Preferred Shares, other than those Series A Shares qualified for distribution by this short form prospectus, nor agree or become bound to do any of the foregoing, during the period commencing on the date of this short form prospectus and ending 90 days after the Closing Date, without the prior written consent of BMO Nesbitt Burns Inc. and TD Securities Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

Pursuant to policy statements and rules of certain securities commissions or regulatory authorities, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Series A Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with this Offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price for the Series A Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Series A Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Series A Shares at the Offering Price, the Offering Price of the Series A Shares may be decreased, and further changed from time to time, to an amount not greater than the Offering Price and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series A Shares is less than the gross proceeds paid by the Underwriters to Valener. Any such reduction will not affect the proceeds received by Valener.

The Offering is being made in each of the provinces and territories of Canada. Neither the Series A Shares nor the Series B Shares have been nor will be registered under the U.S. Securities Act, or any state U.S. securities laws and, may not be offered or sold within the United States or to U.S. persons.

The TSX has conditionally approved the listing of the Series A Shares to be issued under the Offering and the Series B Shares issuable upon conversion of the Series A Shares. Listing is subject to Valener fulfilling all of the listing requirements of the TSX.

Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for Valener and its affiliates from time to time for which they have received customary fees and expenses. The Underwriters and/or their affiliates may, from time to time, engage in transactions with, or perform services for, Valener and its affiliates in the ordinary course of business and receive fees in connection therewith. Valener may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc. and Desjardins Securities Inc. under applicable Canadian securities laws. See “Relationship Between Valener and Certain Persons”.

In connection with the Offering and in accordance with the terms of an indemnity letter dated May 18, 2012 between Valener and Gaz Métro (the “**Indemnity Letter**”), Gaz Métro has provided to Valener representations and warranties relating to Gaz Métro which reflect the representations and warranties included in the Underwriting Agreement. In addition, pursuant to the

Indemnity Letter, Gaz Métro has agreed to indemnify Valener against certain liabilities arising from a breach of such representations and warranties, subject that the total liability of Gaz Métro under this indemnity shall not exceed the lesser of (i) the net proceeds of the Offering and (ii) the subscription amounts contemplated to be paid by Valener to Gaz Métro as described under “Use of Proceeds” (the “**Contemplated Subscriptions**”). Valener has agreed with the Underwriters not to waive or amend such indemnity. Moreover, Valener has agreed with the Underwriters that it will not (i) initiate, declare or pay any amount to any of its shareholders as special dividends out of the ordinary course (but excluding the regular quarterly dividend on common shares which shall be permitted), share buy back or other form of return of capital, or (ii) proceed to any form of investment directly or indirectly, other than the Contemplated Subscriptions, investments in the Seigneurie Projects or investments made upon terms and conditions that will include representations, warranties and indemnification provisions similar in substance to those obtained from Gaz Métro in connection with the above-mentioned indemnity. These restrictions only survive for a period of nine months from the date of the Underwriting Agreement or until such earlier date as Valener has invested amounts equal to the proceeds of the Offering in compliance with such investment restrictions. A copy of the Underwriting Agreement and the Indemnity Letter is available electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

## **INTEREST OF EXPERTS**

Certain legal matters in connection with the Offering will be passed upon on behalf of Valener by Borden Ladner Gervais LLP and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. As at the date hereof, (i) the partners and associates of Borden Ladner Gervais LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares and, (ii) the partners and associates of Fasken Martineau DuMoulin LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Borden Ladner Gervais LLP, counsel to Valener and of Fasken Martineau DuMoulin LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Series A Shares acquired pursuant to this short form prospectus and Series B Shares acquired upon the conversion of Series A Shares so acquired (a “**Holder**”) who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm’s length with and is not affiliated with Valener and holds the Series A Shares and will hold any Series B Shares as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Series A Shares and the Series B Shares will be capital property to a Holder provided the Holder does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure or concern in the nature of a trade. Certain Holders who might not otherwise be considered to hold Series A Shares or Series B Shares as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security”, as defined in the Tax Act, owned by such Holder in the taxation year of the election and each subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder that is a “financial institution” for the purposes of the “mark to market property” rules, to a Holder an interest in which would be a “tax shelter investment” or to a Holder to whom the “functional currency” reporting rules apply, each as defined in the Tax Act. Such Holders should consult their own tax advisors. Furthermore, this summary is not applicable to a Holder that is a “specified financial institution”, as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm’s length, in the aggregate dividends in respect of more than 10% of the Series A Shares or the Series B Shares, as the case may be, outstanding at the time the dividend is received. This summary assumes that all issued and outstanding Series A Shares and Series B Shares are listed on a designated stock exchange (as defined in the Tax Act, which currently includes the TSX) in Canada at such times as dividends (including deemed dividends) are paid or received on such shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, prospective Holders should consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Tax Act including the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance prior to the date hereof (the “**Proposals**”) and counsel’s understanding of the current administrative and assessing policies and practices of the Canada Revenue Agency (the “**CRA**”) published in writing by it prior to the date hereof. This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations. No assurances can be given that the Proposals will be enacted as proposed or at all.

## **Dividends**

Dividends (including deemed dividends) received (or deemed to be received) on the Series A Shares or the Series B Shares by an individual (other than certain trusts) will be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend gross-up and dividend tax credit applicable to any dividends designated by Valener as "eligible dividends" in accordance with the Tax Act.

Dividends (including deemed dividends) received (or deemed to be received) on the Series A Shares or the Series B Shares by a corporation will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

The Series A Shares and the Series B Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series A Shares and the Series B Shares require Valener to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series A Shares and the Series B Shares.

Dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 $\frac{1}{3}$ % on dividends received (or deemed to be received) on the Series A Shares and the Series B Shares to the extent such dividends are deductible in computing its taxable income.

## **Dispositions**

A Holder who disposes of or is deemed to dispose of Series A Shares or Series B Shares (on redemption for cash or otherwise, but not on a conversion of Series A Shares for Series B Shares or of Series B Shares for Series A Shares as the case may be) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by Valener of Series A Shares or Series B Shares generally will not be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. If the Holder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares, or a share which has been converted into such shares, to the extent and under the circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of a capital loss must normally be deducted as an allowable capital loss against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to the provisions of the Tax Act in that regard. Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax under the Tax Act. Taxable capital gains of a Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax of 6 $\frac{2}{3}$ %.

## **Redemption**

If Valener redeems or otherwise acquires Series A Shares or Series B Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by Valener, including any redemption premium, in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid by Valener, including any redemption premium, and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not a dividend.

## **Conversion of Series A Shares into Series B Shares**

The conversion of a Series A Share into a Series B Share and a Series B Share into a Series A Share will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a Holder of a Series B Share or Series A Share, as the case may be, received on the conversion will be deemed to be equal to the Holder's adjusted cost base of the converted Series A Share or Series B Share, as the case may be, immediately before the conversion. The adjusted cost base of all of the Series A Shares and the Series B Shares held by the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

## **RISK FACTORS**

An investment in the Series A Shares or the Series B Shares is subject to certain risks. In addition to the risks described below, reference is made to the "Risk Factors relating to Valener and Gaz Métro" sections of the Annual Information Form, incorporated herein by reference. Such risk factors could have a materially adverse effect on the future results of operations, business prospects or financial condition of Valener, and could cause actual events to differ materially from those described in forward-looking statements. Additional risks and uncertainties not presently known to Valener, or which Valener currently deems to be immaterial, may also have an adverse effect upon Valener.

*Credit ratings may not reflect actual performance of Valener*

The credit ratings applied to the Series A Shares are an assessment, by the rating agencies, of Valener's ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of Valener that may or may not reflect the actual performance or capital structure of Valener. Changes in the credit ratings of the Series A Shares or in any credit rating assigned to the Series B Shares in the future may affect the market price or value and the liquidity of the Series A Shares or the Series B Shares, as applicable. There is no assurance that any credit rating assigned to the Series A Shares or the Series B Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the rating agency.

*The market value of Series A Shares and Series B Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate*

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series A Shares and the Series B Shares for reasons unrelated to Valener's performance. The value of those Series A Shares and Series B Shares are also subject to market fluctuations based upon factors which influence Valener's operations, such as legislative or regulatory developments, competition and global capital market activity.

The value of Series A Shares and Series B Shares will be affected by the general creditworthiness of Valener. Valener's Annual Information Form is incorporated by reference in this short form prospectus and discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on Valener's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratio", which ratios are relevant to an assessment of Valener's ability to pay dividends on the Series A Shares and the Series B Shares.

The market value of the Series A Shares and the Series B Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit ratings assigned to such shares. The market price or value of the Series A Shares and the Series B Shares will decline as prevailing interest rates for comparable instruments rise, and increase as prevailing interest rates for comparable instruments decline. Real or anticipated changes in credit ratings on the Series A Shares and the Series B Shares may also affect the cost at which Valener can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series A Shares and the Series B Shares. Assuming all other factors remain unchanged, the market value of the Series A Shares and the Series B Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Bond Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities may affect the market value of the Series A Shares and the Series B Shares.

*No Guarantee of Gaz Métro*

This short form prospectus qualifies securities issued by Valener, and the certificate of the issuer to this short form prospectus has been executed on behalf of Valener only, even if certain information contained in this short form prospectus (including the documents incorporated by reference therein) relates to Gaz Métro. As a result, in the event this short form

prospectus were to contain a misrepresentation, the rights of action available under Canadian securities laws against an issuer will be limited to rights of action against Valener. Such rights of action will not be available against Gaz Métro. Although Valener may have rights against Gaz Métro pursuant to the Indemnity Letter described under the heading “Plan of Distribution”, the investors will not have any such rights.

*Valener may redeem Series A Shares and Series B Shares*

Valener may choose to redeem the Series A Shares and the Series B Shares from time to time, in accordance with its rights described under “Details of the Offering – Description of the Series A Shares – Redemption” and “Details of the Offering – Description of the Series B Shares – Redemption”, including when prevailing interest rates are lower than the yields borne by the Series A Shares and the Series B Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series A Shares or the Series B Shares being redeemed. Valener’s redemption right also may adversely impact a purchaser’s ability to sell Series A Shares and Series B Shares as the optional redemption date or period approaches.

*The Series A Shares and the Series B Shares do not have a fixed maturity date, may not be redeemed at the holder’s option and the ability of a holder to liquidate its holding may be limited*

Series A Shares and Series B Shares do not have a fixed maturity date and are not redeemable or retractable at the option of the holders of Series A Shares or Series B Shares, as applicable. The ability of a holder to liquidate its holdings of Series A Shares or Series B Shares may be limited.

*The declaration of dividends on the Series A Shares and the Series B Shares is at the discretion of the board of directors of Valener*

Holders of Series A Shares and Series B Shares do not have a right to dividends on such shares unless declared by the board of directors of Valener. The declaration of dividends is at the discretion of the board of directors of Valener even if Valener has sufficient funds, net of its liabilities, to pay such dividends.

In addition, Valener may not declare or pay a dividend if there are reasonable grounds for believing that (i) Valener is, or would be after the payment, unable to pay its liabilities as they become due, or (ii) the realizable value of Valener’s assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

*The dividend rates on the Series A Shares and the Series B Shares will reset*

The dividend rate in respect of the Series A Shares will reset on October 15, 2017 and on October 15 every five years thereafter. The dividend rate in respect of the Series B Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

*There is currently no trading market for the Series A Shares and the Series B Shares*

There is currently no trading market for the Series A Shares and the Series B Shares. There can be no assurance that an active trading market will develop for the Series A Shares after the Offering or for the Series B Shares following the issuance of any of those shares, or if developed, that such a market will be sustained at the Offering Price of the Series A Shares or the issue price of the Series B Shares. If an active or liquid market for the Series A Shares and the Series B Shares fails to develop or be sustained, the prices at which the Series A Shares and the Series B Shares trade may be adversely affected.

The public Offering Price of the Series A Shares and the issue price of the Series B Shares have been determined by negotiation between Valener and the Underwriters based on several factors and may bear no relationship to the prices at which the Series A Shares and the Series B Shares will trade in the public market subsequent to such offering. See “Plan of Distribution”.

*Creditors of Valener rank ahead of holders of Series A Shares and Series B Shares in the event of an insolvency or winding up of Valener*

Creditors of Valener rank ahead of holders of Series A Shares and Series B Shares in the event of an insolvency or winding up of Valener.

The Series A Shares and the Series B Shares rank equally with other Preferred Shares that may be outstanding in the event of an insolvency or winding up of Valener. If Valener becomes insolvent or is wound-up, Valener’s assets must be used to

pay debt, including inter-company debt, before payments may be made on Series A Shares, Series B Shares and other Preferred Shares.

*Investments in the Series B Shares, given their floating interest component, entail risks not associated with investments in the Series A Shares*

Investments in the Series B Shares, given their floating interest component, entail risks not associated with investments in the Series A Shares. The resetting of the applicable rate on a Series B Share may result in a lower yield compared to fixed rate Series A Shares. The applicable rate on a Series B Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which Valener has no control.

*The Series A Shares and the Series B Shares may be converted or redeemed without the holders' consent in certain circumstances*

An investment in the Series A Shares, or in the Series B Shares, as the case may be, may become an investment in Series B Shares, or in Series A Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under “Details of the Offering – Description of the Series A Shares – Conversion of Series A Shares into Series B Shares” and “Details of the Offering – Description of the Series B Shares – Conversion of Series B Shares into Series A Shares”. Upon the automatic conversion of the Series A Shares into Series B Shares, the dividend rate on the Series B Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series B Shares into Series A Shares, the dividend rate on the Series A Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30<sup>th</sup> day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series A Shares into Series B Shares, and vice versa, in certain circumstances. See “Details of the Offering – Description of the Series A Shares – Conversion of Series A Shares into Series B Shares”, “Details of the Offering – Description of the Series B Shares – Conversion of Series B Shares into Series A Shares”.

*Valener's ability to declare dividends is subject to uncertainty and is subject to certain restrictions and covenants*

The funds available for the payment of dividends by Valener on the Series A Shares and Series B Shares from time to time will be dependent upon, among other things, (i) distributions received by Valener from Gaz Métro, (ii) Valener's operating cash flows, (iii) funds required for principal or interest repayments under the Credit Facility which may have previously been used to finance its share of the development cost of the Seigneurie Projects or for general corporate purposes and (iv) the satisfaction of solvency tests imposed by the CBCA for the declaration and payment of dividends.

The Credit Facility imposes certain operating and financial restrictions through covenants, including restrictions on the ability of Valener to incur additional debt, to grant security, to make distributions if an event of default has occurred or results therefrom, to guarantee the obligations of a third party, or to amend any of its material contracts other than the Credit Facility, subject to certain exceptions. These restrictions may limit Valener's ability to declare dividends on the Series A Shares and the Series B Shares. Valener is also required to maintain a minimum level of ownership in Gaz Métro and in the Seigneurie Projects, to meet certain financial ratios and not to consent to, or take any action in respect of, a limitation of the ability of Gaz Métro to make distributions to its limited partners.

*Holders of the Series A Shares and the Series B Shares do not have voting rights except under limited circumstances*

Holders of Series A Shares and Series B Shares will generally not have voting rights at meetings of the shareholders of Valener except under limited circumstances. Holders of Series A Shares and Series B Shares will have no right to elect the board of directors of Valener. See “Details of the Offering”.

## **RELATIONSHIP BETWEEN VALENER AND CERTAIN PERSONS**

BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc. are wholly-owned indirect subsidiaries of Canadian chartered banks, and Desjardins Securities Inc. is an affiliate of a financial institution, which are currently lenders to Valener under its Credit Facility for an aggregate amount of \$200 million. Consequently, Valener may be considered a connected issuer of BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial and Desjardins Securities Inc. under applicable securities laws in certain Canadian jurisdictions.

Valener is in compliance with the terms of the Credit Facility and the lenders have not waived a breach, on the part of Valener, of such Credit Facility. Except as otherwise disclosed herein, the financial position of Valener has not changed in a

material manner since such indebtedness was incurred. The indebtedness under the Credit Facility is secured by pledges of units in Gaz Métro and shares of Valener Éole Inc. held by Valener (the “**Security**”). As at March 31, 2012, \$53.7 million (including \$8.2 million in letters of credit in conjunction with the Seigneurie Projects) was outstanding under the Credit Facility. Valener’s financial position and the value of the Security has not changed since the indebtedness was incurred. Valener may use a portion of the net proceeds of the Offering to repay certain of its indebtedness to such banks and financial institution. See “Use of Proceeds”.

Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for Valener from time to time for which they have received customary fees and expenses. The Underwriters and/or their affiliates may, from time to time, engage in transactions with, or perform services for, Valener in the ordinary course of business and receive fees in connection therewith.

The decision to issue the Series A Shares and the determination of the terms of the distribution were made through negotiation among Valener and the Underwriters. The Canadian chartered banks which are lenders to Valener, including the Canadian chartered banks of which BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc. are the respective subsidiaries and the financial institution of which Desjardins Securities Inc. is an affiliate, did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. The Offering was not required, suggested by any of those financial institutions, nor was their consent required. As a consequence of the Offering, none of BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc. or Desjardins Securities Inc. will receive any benefit in connection with the Offering other than their respective share of the Underwriters’ fee.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of Valener are Raymond Chabot Grant Thornton LLP, Montréal, Québec. The transfer agent and registrar for the Series A Shares and the Series B Shares will be Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company, at its principal office located in Montréal, Québec.

#### **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, price revision or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, price revision or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

## AUDITORS' CONSENT

We have read the short form prospectus of Valener Inc. ("**Valener**") dated May 30, 2012 qualifying the distribution of 4,000,000 Cumulative Rate Reset Preferred Shares, Series A of Valener. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of Valener on the consolidated balance sheets of Valener as at September 30, 2011 and 2010 and the consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the years then ended. Our report is dated November 17, 2011.

We also consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the partners of Gaz Métro Limited Partnership on the consolidated balance sheets of Gaz Métro Limited Partnership as at September 30, 2011 and 2010 and the consolidated statements of income, comprehensive income, partners' equity and cash flows for the years then ended. Our report is dated November 17, 2011.

Montréal, Québec  
May 30, 2012

By: (*signed*) Raymond Chabot Grant Thornton LLP  
CPA auditor, CA permit n° A120795

## CERTIFICATE OF VALENER

Date: May 30, 2012

This short form prospectus, together with the documents it incorporates by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

By: *(Signed)* Sophie Brochu  
President and Chief Executive Officer

Gas Métro inc., as general partner of Gaz Métro Limited  
Partnership, acting in its capacity as manager of  
Valener Inc.

By: *(Signed)* Pierre Despars, CA  
Executive Vice President, Corporate Affairs and Chief  
Financial Officer

Gaz Métro inc., as general partner of Gaz Métro Limited  
Partnership, acting in its capacity as manager of  
Valener Inc.

### On behalf of the board of directors

By: *(Signed)* Pierre Monahan  
Director

By: *(Signed)* Réal Sureau  
Director

## CERTIFICATE OF THE UNDERWRITERS

Dated: May 30, 2012

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

BMO NESBITT BURNS INC.

TD SECURITIES INC.

By: *(Signed)* Pierre-Olivier Perras

By: *(Signed)* Louis G. Véronneau

DESJARDINS  
SECURITIES INC.

NATIONAL BANK  
FINANCIAL INC.

CIBC WORLD  
MARKETS INC.

RBC DOMINION  
SECURITIES INC.

SCOTIA CAPITAL INC.

By: *(Signed)* François  
Carrier

By: *(Signed)* Louis  
Gendron

By: *(Signed)* Paul  
St-Michel

By: *(Signed)* Robert  
Nicholson

By: *(Signed)* Éric  
Michaud

LAURENTIAN BANK SECURITIES INC.

By: *(Signed)* Michel Richard