



October 24, 2012

Ms. Luella Roberts
Ms. Janet Bair
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Dear Ms. Roberts and Ms. Bair

Re: Assurances of HCP Implementation

This letter supplements the information that Keystone provided to the U.S. Fish and Wildlife Service (“FWS”) in its letter of September 14, 2012 with respect to Keystone’s financial assurances for carrying out the requirements of the Habitat Conservation Plan (“HCP”) that will accompany the Incidental Take Permit for Keystone’s Gulf Coast Pipeline Project. The letter of September 14, 2012, estimated an overall HCP budget of \$14.5 Million (US). This budget remains current and encompasses the all activities incorporated into the HCP to minimize impacts on the American burying beetle (ABB) and to mitigate any incidental impacts that may occur.

Among these commitments is Keystone’s recently executed Conservation Funding Agreement with Common Ground Capital (CGC) and WLLL, LLC (CGC-WLLL). Under this Agreement, Keystone will provide funding for CGC-WLLL’s acquisition of a carefully selected 1600-acre tract of ideal ABB habitat in Pittsburgh County, Oklahoma near McAlester (the “Tract”). CGC-WLLL will exercise its option to acquire the Tract upon issuance of the ITP, at which point CGC-WLLL shall acquire the legal right to ensure that no actions are undertaken on the Tract that would be inconsistent with the FWS-approved Conservation Plan. Keystone shall fund this acquisition, including a purchase price for the land of \$2.080 million.

It is expected that CGC-WLLL will close on and acquire fee title to the Tract by no later than December 31, 2012, at which time it will begin implementing the FWS-approved Conservation Plan on a designated 865-acre portion of the Tract that has been set aside for Project mitigation (the “Parcel”). The Conservation Plan specifically identifies the Tract and the Parcel. By this same deadline, Keystone shall have created a \$1.005 million non-wasting endowment that will be used by CGC-WLLL (or its successor) to implement the Conservation Plan on the 865-acre parcel. Though CGC-WLLL will be allowed to draw upon the endowment in partial support of its efforts to create an ABB conservation bank on the adjacent 735-acre portion of the Tract, Keystone’s endowment will not be allowed to fall below a level sufficient to support the long-term implementation of the Conservation Plan on the 865-acre Project mitigation Parcel. As further protection, Keystone has required CGC-WLLL to transfer a conservation easement on the entire 1600-acre Tract to a qualified land conservation organization. The easement shall be transferred as expeditiously as practical, with an outside effective date in the first quarter of 2013. This conservation organization shall have the legal authority and practical ability to ensure that no

activities are carried out on the Tract or the Parcel that would be in conflict with the FWS-approved Conservation Plan.

Keystone and its parent company, TransCanada, have committed \$2 billion to the Project, which funds include the full \$14.5 million needed for HCP implementation as well as any contingency funding that might conceivably be incurred to fully execute the HCP. Keystone has also put procedures in place to ensure that CGC-WLLL will properly steward the above-mentioned endowment. These commitments, coupled with the positive cash flow and access to credit enjoyed by Keystone and TransCanada, more than ensures faithful fulfillment of the HCP.

Regards,



for Corey Goulet
Vice-President, Keystone Pipeline Projects

cc: Thomas Campbell
Andrea Jalbert
Brant Johnson
Brad Raffle