

These materials are important and require your immediate attention. They require holders of Class A limited partnership units ("**Class A Units**") to make important decisions. If you are in doubt as to how to make such decisions, please contact your legal, tax or other professional advisors. If you have any questions or require more information with regard to voting your Class A Units, please contact Inter Pipeline Fund's proxy solicitation agent, CST Phoenix Advisors, by (1) toll-free telephone in North America at 1-800-884-4590 or collect call at 201-806-2222, or (2) by email at [inquiries@phoenixadvisorscst.com](mailto:inquiries@phoenixadvisorscst.com).



## **INTER PIPELINE FUND**

### **NOTICE OF SPECIAL MEETING OF HOLDERS OF CLASS A LIMITED PARTNERSHIP UNITS OF INTER PIPELINE FUND**

**to be held on August 22, 2013**

**and**

**NOTICE OF APPLICATION TO THE COURT OF QUEEN'S BENCH OF ALBERTA**

**and**

**INFORMATION CIRCULAR**

**with respect to a proposed**

**PLAN OF ARRANGEMENT**

**involving**

**INTER PIPELINE FUND,  
PIPELINE MANAGEMENT INC.,  
INTER PIPELINE LTD., INTER PIPELINE GP CORP. AND ITS SHAREHOLDERS,  
INTER PIPELINE GP HOLDING TRUST, INTER PIPELINE PUTCO CORP. AND  
THE HOLDERS OF CLASS A LIMITED PARTNERSHIP UNITS OF  
INTER PIPELINE FUND**

July 23, 2013

**The Board of Directors of the General Partner of Inter Pipeline Fund unanimously recommends that Unitholders vote FOR the Arrangement Resolution and the Preferred Share Exchange Resolution**

**Only persons who are residents of Canada, or, if partnerships, are Canadian partnerships, in each case, for purposes of the *Income Tax Act* (Canada) (the "Tax Act"), may purchase or own Class A Units. Persons for whom an interest in which would be a "tax shelter investment" for purposes of the Tax Act are also prohibited from purchasing or owning Class A Units.**

*The deadline for the receipt of proxies for the Special Meeting is  
9:00 a.m. (Calgary time) on Tuesday, August 20, 2013.*

**Any questions and requests for assistance may be directed to Inter Pipeline Fund's  
Proxy Solicitation Agent:**



**North American Toll Free Phone:**

**1-800-884-4590**

Banks, Brokers and collect calls: 201-806-2222

Toll Free Facsimile: 1-888-509-5907

Email: [inquiries@phoenixadvisorsest.com](mailto:inquiries@phoenixadvisorsest.com)

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**ENCLOSURES**

Form of Proxy  
Letter of Transmittal  
Return Envelope



July 23, 2013

Dear Unitholders:

We are pleased to invite you to attend a special meeting (the "**Meeting**") of the unitholders of Inter Pipeline Fund ("**Inter Pipeline**"). The Meeting will be held in the Grand Lecture Theatre at The Metropolitan Conference Centre, located at 333-4<sup>th</sup> Avenue S.W., Calgary, Alberta, on Thursday August 22, 2013 at 9:00 a.m. Calgary time.

At the Meeting, you will be asked to consider and vote upon two related restructuring matters:

1. the proposed conversion of Inter Pipeline to a dividend paying corporation, pursuant to a plan of arrangement, and
2. the proposed exchange of certain securities held by the former owners of Inter Pipeline's general partner for common shares and shares convertible into common shares of the proposed corporate successor of Inter Pipeline, also pursuant to the plan of arrangement.

Both of these matters are described in more detail in the accompanying information circular (the "**Circular**"). If you cannot attend the Meeting, please register your votes via telephone, internet or mail as soon as possible.

### **Background**

Inter Pipeline is currently structured as a Canadian limited partnership with its business affairs being administered, managed, controlled and operated by its general partner, Pipeline Management Inc. ("**PMI**"). Effective June 1, 2013, Inter Pipeline completed several internal transactions related to the reorganization of its limited partnership structure. More specifically, Inter Pipeline indirectly purchased PMI through a series of transactions designed to eliminate all future management, acquisition, divestiture and incentive fees payable to an external manager (the "**Internalization Transactions**"). These transactions were completed in anticipation that Inter Pipeline would convert its structure from a limited partnership to a corporate form.

A Special Committee of the PMI board of directors, comprised solely of independent directors, negotiated and approved the Internalization Transactions including the proposed preferred share exchange. In making its decision, the Special Committee noted that the purchase price paid to acquire Inter Pipeline's general partner is expected to be highly accretive to future cash flow and supported a stand-alone increase in Inter Pipeline's monthly cash distributions. The Special Committee also recognized that the planned conversion to a corporate structure would provide certain ancillary benefits related to improved corporate governance and access to non-Canadian sources of equity capital.

The Internalization Transactions involved the purchase of the parent corporation of PMI, Pipeline Assets Corp. ("**PAC**"), from the shareholders of PAC. PAC shareholders were paid consideration in the form of preferred shares which generally track the price of Inter Pipeline's Class A limited partnership units ("**Class A Units**") and pay cash distributions equivalent to those paid on the Class A Units. To ensure alignment of incentives, PAC shareholders agreed to accept a form of equity which, subject to approval by unitholders, would be exchangeable into the shares of Inter Pipeline's corporate successor rather than a cash payment.

The resolutions being considered at the Meeting will permit Inter Pipeline to complete its planned conversion to a corporation and ensure that former PAC shareholders ultimately hold shares in the proposed corporate successor, Inter Pipeline Ltd.

## **Corporate Conversion**

Pursuant to the plan of arrangement, Inter Pipeline's unitholders will receive one common share of Inter Pipeline Ltd. in exchange for each Class A Unit held. If the plan of arrangement is approved by unitholders, the effective date of Inter Pipeline's corporate conversion is expected to be September 1, 2013. Unitholders may elect to effect the exchange of Class A Units for common shares on a tax-deferred basis for Canadian federal income tax purposes.

The Board of Directors of PMI believes that approval of the proposed corporate conversion will provide the following benefits:

- allows Inter Pipeline to access foreign sources of equity capital which are not currently permitted under the limited partnership structure;
- provides enhanced flexibility to finance Inter Pipeline's significant growth capital requirements in the coming years;
- creates a more conventional form of corporate governance including the annual election of directors and the holding of annual meetings; and
- simplifies Inter Pipeline's entity structure, resulting in cost savings and the ability to complete commercial transactions more efficiently.

The proposed conversion to a corporation is not expected to affect Inter Pipeline's business operations or the composition of its management team. No change of control benefits will accrue to PMI's directors, officers or employees as a result of the completion of the conversion. PMI's board does not anticipate there will be any change to Inter Pipeline's current distribution policy once the conversion is complete and Inter Pipeline Ltd. begins paying monthly dividends to its shareholders.

## **Preferred Share Exchange**

Approval of the preferred share exchange resolution will allow former PAC shareholders to convert existing preferred share holdings into common shares and shares convertible into common shares of Inter Pipeline Ltd. This resolution must be approved by a majority of the votes cast by unitholders, excluding the votes of former PAC shareholders.

The board of directors of PMI believes that approval of the proposed preferred share exchange will provide the following benefits:

- ensures that former PAC shareholders hold the same equity participation rights and entitlements as those held by public shareholders of Inter Pipeline Ltd.;
- allows full alignment of interests between former PAC shareholders, including certain current senior management team members, and those of Inter Pipeline Ltd.'s public shareholders;
- eliminates the preferred shares issued to the former PAC shareholders under the Internalization Transactions and the associated cash retraction and "put" rights and thereby avoids the potential obligation for Inter Pipeline Ltd. to have to fund the retraction or repurchase of the preferred shares and to incur the associated financing costs; and
- simplifies Inter Pipeline's capital structure through the elimination of the preferred shares issued to PAC shareholders under the Internalization Transactions.

In the event that the proposed preferred share exchange is not approved by unitholders, former PAC shareholders will continue to hold preferred shares. In such circumstances, PAC shareholders will also retain the right to retract

or put their preferred shares to Inter Pipeline Ltd. or an affiliate for cash, which, if exercised, would require Inter Pipeline Ltd. to incur the cost of refinancing the preferred shares.

### **Recommendation of the Board of Directors of the General Partner**

The Board of Directors of PMI, based on its own investigations and on the advice of external legal counsel and tax advisors, has unanimously (other than Messrs. Driscoll and Fesyk who abstained from voting due to their interests in the preferred share exchange) determined that the proposed corporate conversion and the preferred share exchange are in the best interests of Inter Pipeline's unitholders. **The Board of Directors unanimously recommends that unitholders vote FOR both resolutions.**

### **Information Circular and Voting Procedures**

The accompanying Circular contains a detailed description of the plan of arrangement to implement the corporate conversion and the exchange of preferred shares. Please give this material your careful consideration. If you are a registered unitholder and are unable to attend the Meeting in person, please complete and deliver the enclosed form of proxy or vote by telephone or internet prior to 9:00 a.m. Calgary time on Tuesday, August 20, 2013 in order to ensure your representation. If you are a non-registered holder of Class A Units and received these materials through your broker or through another intermediary, please complete, sign and return the voting instruction form in accordance with the instructions provided by your broker or intermediary. In addition to conveying voting instructions by mail, a broker or other intermediary may also provide you with the option to convey your voting instructions by telephone, facsimile or internet.

If you have any questions or require further information, please contact Inter Pipeline's proxy solicitation agent, CST Phoenix Advisors, by (1) toll-free telephone in North America at 1-800-884-4590 or collect call at 201-806-2222, or (2) by email at [inquiries@phoenixadvisorscst.com](mailto:inquiries@phoenixadvisorscst.com).

On behalf of the board of directors of PMI and the management team at Inter Pipeline, I would like to express our gratitude for the support our unitholders have shown in the growth and evolution of our business to date. We genuinely believe that approval of the resolutions to be voted on at the Meeting will result in significant benefits related to corporate governance enhancement, the alignment of interests among current securityholders and enhanced access to capital markets.

Yours very truly,

**INTER PIPELINE FUND**, by its general partner,  
**PIPELINE MANAGEMENT INC.**

(Signed) "*David W. Fesyk*"

David W. Fesyk  
President and Chief Executive Officer

**INTER PIPELINE FUND**  
**NOTICE OF SPECIAL MEETING OF UNITHOLDERS**

**to be held on August 22, 2013**

**NOTICE IS HEREBY GIVEN** that, pursuant to an interim order of the Court of Queen's Bench of Alberta dated July 23, 2013, as the same may be amended (the "**Interim Order**"), a special meeting (the "**Meeting**") of the holders (the "**Unitholders**") of Class A limited partnership units ("**Class A Units**") of Inter Pipeline Fund ("**Inter Pipeline**") will be held in the Grand Lecture Theatre of The Metropolitan Conference Centre, located at 333 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, on Thursday, August 22, 2013 at 9:00 a.m. (Calgary time) for the following purposes:

- (a) to consider, pursuant to the Interim Order, and if deemed advisable, to pass, with or without variation, an extraordinary resolution of Unitholders (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix "C" to the accompanying information circular dated July 23, 2013 (the "**Circular**"), to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) and all transactions contemplated thereby (the "**Arrangement**"), all as more particularly described in the Circular;
- (b) if the Arrangement Resolution is passed, to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the "**Preferred Share Exchange Resolution**") of Unitholders, the full text of which is set forth in Appendix "C" to the Circular, approving a proposed share exchange (the "**Preferred Share Exchange**") involving (A) the exchange of each outstanding Class A preferred share, Series 1 through 8 (a "**GP Holdco Class A Preferred Share**") in the capital of Inter Pipeline GP Corp. ("**GP Holdco**") for one common share (a "**Common Share**") of Inter Pipeline Ltd. ("**IPL**") and (B) the exchange of each outstanding Class B preferred share, Series 1 through 8 ("**GP Holdco Class B Preferred Share**") in the capital of GP Holdco for one convertible share of IPL (a "**Convertible Share**"); and
- (c) to transact such other business as may properly be brought before the Meeting or any postponement or adjournment or adjournments thereof.

This Notice of Meeting is accompanied by the Circular, a voting instruction form or form of proxy (as applicable) as well as a letter of transmittal (if applicable). Unitholders are referred to the accompanying Circular for more detailed information regarding the matters to be considered at the Meeting. A copy of the Plan of Arrangement in respect of the Arrangement is attached as Schedule 1 to the Arrangement Agreement, which is attached as Appendix "A" to the Circular. Capitalized terms used in this Notice of Meeting that are not defined herein shall have the meanings given to such terms in the Circular.

Only persons registered as holders of Class A Units on the records of Inter Pipeline as of the close of business on July 18, 2013 are entitled to receive notice of, and to vote or act at, the Meeting or any postponement or adjournment thereof. No person who becomes a Unitholder after July 18, 2013 will be entitled to vote or act at the Meeting or any postponement or adjournment thereof.

**Unitholders who are unable to attend the Meeting in person may vote by proxy, by telephone or by using the internet. See "Questions and Answers on Voting" in the Circular for information on how to vote. In order to be valid and acted upon at the Meeting, properly completed forms of proxy must be received by Computershare Trust Company of Canada not less than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the Meeting.**

**A proxyholder has discretion under the accompanying form of proxy to consider such further and other business as may properly be brought before the Meeting or any postponement or adjournment thereof. Unitholders who are planning to return the accompanying form of proxy are encouraged to review the Circular carefully before submitting the form of proxy.**



**If a Unitholder is a non-registered holder of Class A Units and receives these materials through a broker or through another intermediary, the Unitholder must complete, sign and return the voting instruction form in accordance with the instructions provided by such broker or other intermediary. In addition to conveying voting instructions by mail, a broker or other intermediary may also provide you with the option to convey your voting instructions by telephone, facsimile or internet.**

A Unitholder that has questions or requires more information with regard to the voting of his/her/its Class A Units should contact Inter Pipeline's proxy solicitation agent, CST Phoenix Advisors, by (1) toll-free telephone in North America at 1-800-884-4590 or collect call at 201-806-2222, or (2) by email at [inquiries@phoenixadvisorscst.com](mailto:inquiries@phoenixadvisorscst.com), regarding matters to be considered at the Meeting and/or regarding procedure for voting your Class A Units.

**DATED** at Calgary, Alberta on July 23, 2013.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
PIPELINE MANAGEMENT INC., the general  
partner of INTER PIPELINE FUND**

(Signed) "*David W. Fesyk*"

David W. Fesyk  
President and Chief Executive Officer

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE OF CALGARY**

**IN THE MATTER OF SECTION 193 OF THE BUSINESS CORPORATIONS ACT,  
R.S.A. 2000, C. B-9, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
INTER PIPELINE FUND, PIPELINE MANAGEMENT INC.,  
INTER PIPELINE LTD., INTER PIPELINE GP CORP. AND ITS SHAREHOLDERS,  
INTER PIPELINE GP HOLDING TRUST, INTER PIPELINE PUTCO CORP. AND THE HOLDERS OF  
CLASS A LIMITED PARTNERSHIP UNITS OF INTER PIPELINE FUND**

**NOTICE OF APPLICATION**

**NOTICE IS HEREBY GIVEN** that an originating application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Inter Pipeline Fund ("**Inter Pipeline**"), Pipeline Management Inc. ("**PMI**") and Inter Pipeline Ltd. ("**IPL**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving Inter Pipeline, PMI, IPL, Inter Pipeline GP Corp. and its shareholders, Inter Pipeline GP Holding Trust, Inter Pipeline Putco Corp. and the holders ("**Unitholders**") of Class A limited partnership units of Inter Pipeline, which Arrangement is described in greater detail in the information circular of Inter Pipeline dated July 23, 2013 (the "**Circular**"), accompanying this Notice of Application. At the hearing of the Application, Inter Pipeline, PMI and IPL intend to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected;
- (b) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
- (c) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Effective Date, as defined in the Arrangement Agreement made as of July 23, 2013 among Inter Pipeline, PMI, Inter Pipeline GP Holding Trust and IPL pursuant to which such parties have proposed to implement the Arrangement, which agreement is attached as Appendix "A" to the Circular, and any amendment thereto; and
- (d) such other and further orders, declarations and directions as the Court may deem just.

**AND NOTICE IS FURTHER GIVEN** that the said Application was directed to be heard before a Justice of the Court, 601 – 5th Street S.W., Calgary, Alberta, on August 22, 2013 at 2:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard. Any Unitholder or any other interested party desiring to support or oppose the Application may appear at the time of the hearing in person or by counsel for that purpose. Any Unitholder or any other interested party desiring to appear at the hearing is required to file with the Court and serve upon Inter Pipeline on or before noon (Calgary time) on August 15, 2013, a notice of intention to appear, including an address for service in the Province of Alberta, together with any evidence or materials which are to be presented to the Court. Service on Inter Pipeline is to be effected by delivery to the solicitors for Inter Pipeline at their address set out below. If any Unitholder or any other such interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

**AND NOTICE IS FURTHER GIVEN** that no further notice of the Application will be given by Inter Pipeline and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

**AND NOTICE IS FURTHER GIVEN** that the Court, by the Interim Order, has given directions as to the calling and holding of a special meeting of the Unitholders for the purpose of such Unitholders voting upon an extraordinary resolution to approve the Arrangement.

**AND NOTICE IS FURTHER GIVEN** that a copy of the said Application and other documents in the proceedings will be furnished to any Unitholder or any other interested party requesting the same by the under mentioned solicitors for Inter Pipeline upon written request delivered to such solicitors as follows:

Burnet, Duckworth & Palmer LLP  
2400, 525 – 8th Avenue S.W.  
Calgary, Alberta T2P 1G1

Attention: Jeff Sharpe

**DATED** at Calgary, Alberta on July 23, 2013.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
PIPELINE MANAGEMENT INC., the general  
partner of INTER PIPELINE FUND**

Per: (Signed) "David W. Fesyk"  
David W. Fesyk  
President and Chief Executive Officer

## QUESTIONS AND ANSWERS ON VOTING

Your vote is important to us. In anticipation of questions from Unitholders, we prepared the following list of questions and answers on voting your Class A Units. Note that unless otherwise specified, the answers relate to all Unitholders regardless of whether you are a registered or Beneficial Unitholder (as explained below).

**Q: Am I entitled to vote?**

A: If you are a holder of Class A Units at the close of business on Thursday, July 18, 2013, you are entitled to vote at the Meeting, on the following items:

- the Arrangement Resolution;
- if the Arrangement Resolution is passed, the Preferred Share Exchange Resolution; and
- any other business, if any, properly brought before the Meeting.

**Q: Am I a registered Unitholder?**

A: You are a registered Unitholder if you hold any Class A Units in your own name. Your Class A Units are represented by a physical Class A Unit certificate. If you are not sure whether you are a registered Unitholder, please contact Computershare at 1-800-564-6253.

**Q: Am I a Beneficial (non-registered) Unitholder?**

A: You are a Beneficial Unitholder if you hold your Class A Units through a broker, financial institution, trustee, nominee or other intermediary. Your Class A Units are not represented by a physical Class A Unit certificate but are recorded on an electronic system. If you are not sure whether you are a Beneficial Unitholder, please contact Computershare at 1-800-564-6253.

**Q: How many votes am I entitled to?**

A: For each Class A Unit you hold you are entitled to one vote on each matter coming before the Meeting.

**Q: How will the items of business be decided at the Meeting?**

A: The Arrangement Resolution must be approved by not less than two-thirds of the votes cast by Unitholders, either in person or represented by proxy, at the Meeting. In addition, if the Arrangement includes the Preferred Share Exchange, the Arrangement Resolution must be approved by a majority of the votes cast by Unitholders, either in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes may not be included in determining minority approval of a business combination pursuant to MI 61-101.

Pursuant to the requirements of the TSX, the number of votes required to pass the Preferred Share Exchange Resolution is a majority of more than 50% of the votes cast by the Unitholders (other than Unitholders that hold GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares) who are represented in person or by proxy at the Meeting.

**Q: How do I vote?**

A: If you are a **registered Unitholder**, you can vote in person at the Meeting or by proxy, by telephone or by using the internet.

- (a) To vote in person – do not complete and return the form of proxy but simply attend the Meeting where your vote will be taken and counted. Be sure to register with Computershare, our transfer agent and registrar, when you arrive at the Meeting.
- (b) To vote by proxy – by mailing or delivering the signed form of proxy to Computershare Trust Company of Canada at 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 so that it is received prior to 9:00 a.m. (Calgary time) on Tuesday, August 20, 2013.
- (c) To vote by telephone – by calling the following toll free number: 1-866-732-VOTE (8683) prior to 9:00 a.m. (Calgary time) on Tuesday, August 20, 2013.
- (d) To vote using the internet – by using the internet at [www.investorvote.com](http://www.investorvote.com) prior to 9:00 a.m. (Calgary time) on Tuesday, August 20, 2013.

Instructions as to how to convey your voting instructions by any of these means are set forth on the back of the form of proxy and should be carefully followed.

If you are a **Beneficial Unitholder**, your nominee will have their own means of conveying voting instructions which should be carefully followed. Most nominees will mail you a voting instruction form that will need to be completed and returned. In addition to conveying voting instructions by mail, a nominee may also provide you with the option to convey your voting instructions by telephone, facsimile or internet.

If you hold your Class A Units both as a registered and Beneficial Unitholder, you will need to convey your vote using each of the applicable procedures set forth above applicable to the Class A Units for each type of holding.

**Q: As a Beneficial Unitholder can I vote in person at the Meeting?**

A: Yes, but only if you are appointed as proxyholder in respect of your Class A Units. We do not have the names of the Beneficial Unitholders and so, if you attend the Meeting, we will not have a record of the number of Class A Units you beneficially own or your entitlement to vote, unless your nominee has appointed you as proxyholder. To be appointed, you should insert your own name in the space provided on the voting instruction form provided to you by your nominee and carefully follow the instructions provided. Do not otherwise complete the form. This will allow you to attend the Meeting and vote your Class A Units in person. Be sure to register with Computershare, our transfer agent and registrar, when you arrive at the Meeting.

**Q: Can I appoint a person as proxyholder other than the Management nominees, John F. Driscoll and Jeremy A. Roberge?**

A: Whether or not you attend the Meeting, you have the right to appoint a person, who does not need to be a Unitholder, to represent you and vote your Class A Units in accordance with your voting instructions at the Meeting. To exercise this right, insert the name of the person you wish to act as proxyholder, or complete another proper form of proxy. You can appoint a person or company other than the Management nominees named in the form of proxy as your proxyholder.

**Q: Who is soliciting my proxy?**

A: Management is soliciting your proxy and the costs of doing so are being borne by Inter Pipeline. In addition to soliciting proxies on behalf of Inter Pipeline by mail, directors, officers and employees of PMI may also, without special compensation, solicit proxies in person or by telephone, facsimile or other form of electronic communication.

CST Phoenix Advisors is acting as Inter Pipeline's proxy solicitation agent. CST Phoenix Advisors will be paid a fee of approximately \$35,000 plus out-of-pocket expenses. The total cost of soliciting proxies and mailing the materials in connection with the Meeting will be borne by Inter Pipeline. In addition, Inter Pipeline may retain other proxy solicitation agents or dealer managers as required, for usual compensation.

**Q: How will my proxy be voted?**

A: Your proxyholder, whether it is the Management nominees or another person designated by you, must vote in accordance with the instructions you have given. If you do not convey any instructions and appoint a proxyholder, you can let your proxyholder decide your vote for you. If you do not give any instructions and appoint the Management nominees as proxyholder or your proxyholder does not give specific instructions, your Class A Units will be voted FOR the Arrangement Resolution and FOR the Preferred Share Exchange Resolution.

**Q: What if there are amendments or variations to the items of business set forth in the Notice of Meeting or other matters are brought before the Meeting?**

A: The enclosed form of proxy gives the person named in it the authority to use their discretion on voting on amendments or variations of the items set forth in the Notice of Meeting and on any other matters properly brought before the Meeting. Proxyholders will vote in accordance with their best judgment pursuant to this discretionary authority.

As at the date of this Circular, the Board and Management do not know of any variations or amendments to the proposed items of business or any additional matters which may be presented for consideration at the Meeting.

**Q: Can I change my mind once I have submitted my proxy?**

A: Yes. You can revoke your proxy at any time before it is acted upon.

If you are a **registered Unitholder**, in addition to revocation in any other manner permitted by law:

- (a) you, or your attorney authorized in writing, may revoke your proxy by signing a written proxy cancellation, or
- (b) if the Unitholder is a corporation, it may revoke the proxy by a written proxy cancellation signed under corporate seal or by an authorized officer or attorney of the corporation.

The proxy cancellation document must be received by Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department):

- (a) no later than 9:00 a.m. (Calgary time) on August 20, 2013, or
- (b) if the Meeting is postponed or adjourned, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the time set for the postponed or adjourned Meeting, or

alternatively, given to the meeting Chair on the day of the Meeting or the day of any postponed or adjourned Meeting. If an instrument of revocation is deposited with the Chair of the Meeting, it will not be effective with respect to any item of business that has been voted upon prior to the deposit. If you conveyed your voting instructions by telephone or internet then conveying new instructions will revoke prior instructions. The proxy is revoked when the proxy cancellation notice is delivered in one of these ways.

If you are a **Beneficial Unitholder**, you should contact your nominee for instructions on how to revoke your voting instruction form.

**Q: Who counts the votes?**

A: Computershare, our transfer agent and registrar, will act as scrutineer at the Meeting.

**Q: How do I exchange my Class A Units for Common Shares?**

A: A Letter of Transmittal has been sent with this Circular to all registered Unitholders. The Letter of Transmittal contains, among other things, instructions on how Unitholders may obtain a Direct Registration System Advice (DRS Advice) in respect of the Common Shares that such Unitholders are entitled to receive in exchange for their Class A Units pursuant to the Arrangement. Beneficial Unitholders whose Class A Units are registered in the name of a broker, dealer, bank, trust company or other nominee should contact such nominee for assistance in exchanging their Class A Units for Common Shares. See "*The Arrangement – Procedure for Exchange of Class A Units*".

**Q: I have questions about the information in this Circular and the voting of my Class A Units whom should I call?**

A: A Unitholder that has questions or requires more information with regard to the voting of his/her/its Class A Units should contact Inter Pipeline's proxy solicitation agent, CST Phoenix Advisors, by (1) toll-free telephone in North America at 1-800-884-4590 or collect call at 201-806-2222, or (2) by email at [inquiries@phoenixadvisorscst.com](mailto:inquiries@phoenixadvisorscst.com), regarding matters to be considered at the Meeting and/or regarding procedure for voting your Class A Units.



## INFORMATION CIRCULAR

**Relating to a Special Meeting of Unitholders  
to be held on August 22, 2013**

### GENERAL INFORMATION

#### Introduction

This Circular is provided in connection with the solicitation of proxies by the management of PMI for use at the Meeting and for any postponement or adjournment thereof. The Meeting will be held in the Grand Lecture Theatre of The Metropolitan Conference Centre, located at 333-4th Avenue S.W., Calgary, Alberta, on Thursday, August 22, 2013 at 9:00 a.m. (Calgary time). The Notice of Meeting accompanying this Circular describes the purpose of the Meeting.

Solicitation of proxies will be primarily by mail, but the directors, officers and employees of PMI may also, without special compensation, solicit proxies in person or by telephone, facsimile or other form of electronic communication. The costs of this solicitation of proxies and the preparation and mailing of this Circular will be borne by Inter Pipeline. CST Phoenix Advisors is acting as Inter Pipeline's proxy solicitation agent. CST Phoenix Advisors will be paid a fee of approximately \$35,000 plus out-of-pocket expenses. The total cost of soliciting proxies and mailing the materials in connection with the Meeting will be borne by Inter Pipeline. In addition, Inter Pipeline may retain other proxy solicitation agents or dealer managers, as required, for usual compensation.

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Schedule 1 to the Arrangement Agreement, which agreement is attached as Appendix "A" to this Circular. **You are urged to carefully read the full text of this Circular, the Arrangement Agreement and Plan of Arrangement.**

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth in the Arrangement Agreement and the Plan of Arrangement attached as Appendix "A" and Schedule 1 to Appendix "A" to this Circular, respectively. Information contained in this Circular is given as of July 23, 2013 unless otherwise specifically stated.

**Unitholders should be aware that the acquisition of the Common Shares as a result of the implementation of the Arrangement and the holding of Common Shares after the Arrangement may have tax consequences. See "Certain Canadian Federal Income Tax Considerations" in this Circular. Unitholders should consult their tax advisors with respect to their own particular circumstances.**

#### Forward-Looking Statements

Certain statements in this Circular, including the documents incorporated by reference herein, are "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Inter Pipeline, PMI and New Inter Pipeline, or their respective management, are intended to identify forward-looking statements. Forward-looking statements contained in this Circular relate to, among other things, statements regarding business strategy, plans and other expectations, beliefs, goals, objectives, information and statements about possible future events. Specific forward-looking statements contained in this Circular include statements regarding the completion of the Arrangement and the ability of Inter Pipeline to maintain its current level of distributions both prior to and after completion of the Arrangement (in the form of dividends paid by New Inter Pipeline on the Common Shares after the Effective Date); the timing of the Final Order; the effective date of the Arrangement; the consideration to be received by Unitholders; changes in legislation relating to Inter Pipeline and its structure, including income tax considerations and the



treatment of securityholders under tax laws; Inter Pipeline and New Inter Pipeline's business strategy; the satisfaction of conditions for the listing on the TSX of the Common Shares and the timing thereof; the composition of the management and Board of Directors of New Inter Pipeline; the anticipated benefits of the Arrangement; the amendment and restatement of the DRIP and the assignment of all associated agreements to New Inter Pipeline and certain subsidiaries of New Inter Pipeline and the amendment and restatement of such agreements; and the assumption by New Inter Pipeline of all outstanding indebtedness of Inter Pipeline.

Readers are cautioned not to place undue reliance on such forward-looking statements. Such statements reflect the current views of PMI with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause the results of Inter Pipeline or New Inter Pipeline to differ materially from those expressed in the forward-looking statements. Factors that could cause actual results to vary from forward-looking information or may affect the operations, performance, development and results of Inter Pipeline's or New Inter Pipeline's businesses include, among other things: risks and assumptions associated with operations, such as Inter Pipeline's and New Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits, including the further development of its oil sands pipeline systems; assumptions concerning operational reliability; the availability and price of labour and construction materials; the status, credit risk and continued existence of customers having contracts with Inter Pipeline and New Inter Pipeline and their respective affiliates; availability of energy commodities; volatility of and assumptions regarding prices of energy commodities; competitive factors, pricing pressures and supply and demand in the natural gas and oil transportation, ethane transportation and natural gas liquids (NGL) extraction and storage industries; assumptions based upon Inter Pipeline's current financial and operational guidance; fluctuations in currency and interest rates; inflation; the ability to access sufficient capital from internal and external sources; risks and uncertainties associated with the ability to maintain Inter Pipeline's current level of cash distributions; risks inherent in Inter Pipeline's and New Inter Pipeline's Canadian and foreign operations; risks of war, hostilities, civil insurrection, instability and political and economic conditions in or affecting countries in which Inter Pipeline and New Inter Pipeline and their respective affiliates operate; severe weather conditions; terrorist threats; risks associated with technology; Inter Pipeline's and New Inter Pipeline's ability to generate sufficient cash flow from operations to meet its current and future obligations; Inter Pipeline's and New Inter Pipeline's ability to access external sources of debt and equity capital; general economic and business conditions; the potential delays of and costs of overruns on construction projects, including, but not limited to Inter Pipeline's current oil sands projects and future expansions of Inter Pipeline's and New Inter Pipeline's oil sands pipeline systems; risks associated with the failure to finalize formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Inter Pipeline; Inter Pipeline's and New Inter Pipeline's ability to make capital investments and the amounts of capital investments; changes in laws and regulations, including environmental, regulatory and taxation laws, and the interpretation of such changes to laws and regulations; the risks associated with existing and potential future lawsuits and regulatory actions against Inter Pipeline and New Inter Pipeline and their respective affiliates; increases in maintenance, operating or financing costs; availability of adequate levels of insurance; difficulty in obtaining necessary regulatory approvals and maintenance of support of such approvals; the inability to meet or continue to meet listing requirements of the TSX; the inability to obtain required consents, permits or approvals, including, but not limited to Unitholder and Court approval of the Arrangement and creditor and other third party consents, if any; failure to realize the anticipated benefits of the Arrangement; and such other risks and uncertainties described from time to time in Inter Pipeline's and New Inter Pipeline's reports and filings with the Canadian securities regulatory authorities. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement is not determinable with certainty, as these are interdependent and Inter Pipeline's and New Inter Pipeline's future course of action depends on management's assessment of all information available at the relevant time. Most of these risks will also be applicable to New Inter Pipeline following the completion of the Arrangement.

See "*Risk Factors*" in the management's discussion and analysis of Inter Pipeline's operating results for the years ended December 31, 2012 and 2011; and "*Risk Factors*" in this Circular for a description of these risks, and other risks affecting Inter Pipeline's business and an investment in Class A Units and Common Shares. Although the forward-looking statements contained in this Circular are based upon what Management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained, or incorporated by reference, herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included, or incorporated by reference, in this Circular are made as of the date of this Circular or as of the date of the document incorporated by reference herein in

which such statements are contained, as applicable, and Inter Pipeline, PMI and New Inter Pipeline undertake no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws.

The reader is further cautioned that the preparation of financial statements in accordance with GAAP requires Management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

The information contained in this Circular, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of Inter Pipeline and New Inter Pipeline. We urge you to carefully consider those factors.

**Unitholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial or other matters in connection herewith.**

### **Non-GAAP Measures**

Certain financial information contained in this Circular, including the documents incorporated by reference herein, may not be standard measures under GAAP and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community and should be used to supplement other performance measures prepared in accordance with GAAP. For further information on non-GAAP financial measures used in this Circular, including the documents incorporated by reference herein, please review the section entitled "*Non-GAAP Financial Measures*" contained in the MD&A, which document is specifically incorporated by reference herein.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Circular. Terms and abbreviations used in the Appendices to this Circular (other than Appendix "D") are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

"**Amalgamating Corporations**" means:

- (a) if the Preferred Share Exchange Approval is received, IPL, GP Holdco, PMI and Putco; and
- (b) if the Preferred Share Exchange Approval is not received, IPL, GP Holdco and PMI,

and "**Amalgamating Corporation**" means any one of them as the case may be.

"**Amalgamation**" means the amalgamation of the Amalgamating Corporations as contemplated by the Plan of Arrangement.

"**Amended DRIP**" means a Premium Dividend<sup>TM</sup> and Dividend Reinvestment Plan or an Amended and Restated Premium Dividend<sup>TM</sup> and Dividend Reinvestment Plan to be adopted by IPL, pursuant to which, among other things, the DRIP will be replaced and superseded.

"**Annual Information Form**" or "**AIF**" means the annual information form of Inter Pipeline dated February 21, 2013 in respect of Inter Pipeline's financial year ended December 31, 2012, incorporated by reference in this Circular.

"**Arrangement**" means the proposed arrangement, under the provisions of section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement and includes any supplement, modification or amendment thereto made in accordance with Section 5.1 of the Arrangement Agreement and Article 5 of the Plan of Arrangement.

"**Arrangement Agreement**" means the agreement made as of July 23, 2013, among Inter Pipeline, PMI, the Trust and IPL pursuant to which such parties have proposed to implement the Arrangement, which agreement is attached as Appendix "A" to this Circular, and any amendment thereto.

"**Arrangement Resolution**" means the extraordinary resolution in respect of the Arrangement, substantially in the form attached as Appendix "C" to this Circular, to be voted upon by Unitholders at the Meeting.

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order has been granted in order to give effect to the Arrangement.

"**Beneficial Unitholders**" has the meaning set out in "*Appointment and Revocation of Proxy – Advice to Beneficial Holders of Class A Units*" in this Circular.

"**Board**" or "**Board of Directors**" means the board of directors of PMI prior to the completion of the Arrangement and the board of directors of New Inter Pipeline following the completion of the Arrangement, as each may be constituted from time to time.

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday when banks are generally open for business in the City of Calgary, in the Province of Alberta, for the transaction of commercial banking.

"**Call Option Agreement**" means the call option agreement dated June 1, 2013 between IPL and the Trust.

"**Class A Preferred Shares**" means the Class A preferred shares, Series 1 through 8, in the capital of New Inter Pipeline.

"**Class A Units**" means the Class A limited partnership units of Inter Pipeline.

"**Class B Preferred Shares**" means the Class B preferred shares, Series 1 through 8, in the capital of New Inter Pipeline.

"**Circular**" means this Information Circular dated July 23, 2013 with respect to the Meeting.

"**Common Share Certificate**" means a certificate representing Common Shares.

"**Common Shares**" means the Class A common shares in the capital of IPL prior to the Amalgamation and the common shares in the capital of New Inter Pipeline subsequent to the Amalgamation.

"**Computershare**" means Computershare Trust Company of Canada, the transfer agent and registrar for the Class A Units.

"**Convertible Shares**" means the convertible shares in the capital of IPL prior to the Amalgamation and the convertible shares in the capital of New Inter Pipeline subsequent to the Amalgamation.

"**Court**" means the Court of Queen's Bench of Alberta.

"**CST Phoenix Advisors**" means proxy solicitation agent for Inter Pipeline.

"**Depository**" means Computershare Investor Services Inc.

"**DRIP**" means Inter Pipeline's Premium Dividend<sup>TM</sup> and Dividend Reinvestment Plan.

"**DRS Advice**" means the document evidencing the electronic registration of ownership of Common Shares under the Direct Registration System adopted by Computershare.

"**DSR Plan**" means New Inter Pipeline's Deferred Share Rights Plan.

"**DSRs**" means deferred share rights of New Inter Pipeline exchanged for DURs pursuant to the Arrangement.

"**DUR Plan**" means Inter Pipeline's Deferred Unit Rights Plan.

"**DURs**" means deferred unit rights granted pursuant to the DUR Plan.

"**Effective Date**" means the date the Arrangement becomes effective under the ABCA.

"**Effective Time**" means the time at which the Arrangement becomes effective under the ABCA on the Effective Date.

"**Eligible Institution**" means a Canadian schedule I chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP); members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States.

"**Encumbrance**" means any encumbrance, lien, charge, security interest, option, privilege or other restriction or similar right of any kind or nature, and any right or privilege capable of becoming any of the foregoing.

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to Section 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

"**GAAP**" means generally accepted accounting principles in Canada, as in effect from time to time.

"**GP Holdco**" means Inter Pipeline GP Corp., a corporation incorporated under the ABCA.

"**GP Holdco Class A Preferred Shares**" means the Class A preferred shares, Series 1 through 8, in the capital of GP Holdco.

"**GP Holdco Class A Voting Shares**" means the 30,742,564 outstanding Class A voting common shares in the capital of GP Holdco.

"**GP Holdco Class B Preferred Shares**" means the Class B preferred shares, Series 1 through 8, in the capital of GP Holdco.

"**GP Holdco Preferred Shares**" means, collectively, the GP Holdco Class A Preferred Shares and the GP Holdco Class B Preferred Shares.

"**Income Tax Act**" or "**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5<sup>th</sup> Supp.), as amended, including the regulations promulgated thereunder.

"**Inter Pipeline**" means Inter Pipeline Fund.

"**Interim Order**" means the interim order of the Court under Section 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction, which order is attached as Appendix "B" to this Circular.

"**Internalization Transactions**" means Inter Pipeline's indirect purchase of PMI and certain related transactions as described in Inter Pipeline's material change report dated June 2, 2013 which is incorporated by reference into and forms an integral part of this Circular.

"**IPL**" means Inter Pipeline Ltd., a corporation incorporated under the ABCA.

"**IPL Call Option**" means the option of IPL to acquire from the Trust the one issued and outstanding Class A common share of Putco for the consideration provided in the Call Option Agreement.

"**Letter of Transmittal**" means the letter of transmittal pursuant to which a holder of Pre-Arrangement Securities is required to deliver certificates representing such Pre-Arrangement Securities in order to receive, on completion of the Arrangement, certificates representing the Post-Arrangement Shares to which such holder is entitled to pursuant to the Arrangement.

"**Management**" means the management of PMI.

"**MD&A**" means the management's discussion and analysis of Inter Pipeline for the year ended December 31, 2012, incorporated by reference in this Circular.

"**Medium Term Notes**" means, collectively, the Series 1 Medium Term Notes, Series 2 Medium Term Notes, Series 3 Medium Term Notes and Series 4 Medium Term Notes.

"**Meeting**" means the special meeting of Unitholders to be held to consider, among other things, the Arrangement and the Preferred Share Exchange, and any postponement or adjournments thereof.

"**Minister**" means the Minister of Finance (Canada).

"**New Inter Pipeline**" means the corporation resulting from the amalgamation of the Amalgamating Corporations.

"**Note Indentures**" means, collectively, the note indentures and supplemental indentures, as applicable providing for the issuance and governing the terms and conditions of the Medium Term Notes, in each case among Inter Pipeline, PMI and the Note Trustee.

"**Note Trustee**" means Computershare Trust Company of Canada, in its capacity as trustee under the Note Indentures.

"**Notice of Application**" means the Notice of Application by Inter Pipeline, PMI and IPL to the Court for the Final Order, which accompanies this Circular.

"**Notice of Meeting**" means the Notice of Special Meeting of Holders of Class A Limited Partnership Units, which accompanies this Circular.

"**Other Amounts**" has the meaning given to it in the Support Agreement.

"**PAC**" means Pipeline Assets Corp., a corporate predecessor of GP Holdco.

"**Partnership Agreement**" means the limited partnership agreement by which Inter Pipeline was established dated as of October 9, 1997, among PMI, 687371 Alberta Ltd., as the initial limited partner and each person who is admitted to Inter Pipeline as a limited partner from time to time in accordance with the terms thereof, as the same may be amended, modified or supplemented from time to time.

"**Partnership Note**" means the loan owed by Inter Pipeline to PMI currently in the amount of approximately \$288.6 million.

"**Person**" means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity.

"**Plan of Arrangement**" means the plan of arrangement attached as Schedule 1 to the Arrangement Agreement, which is attached as Appendix "A" to this Circular, as amended or supplemented from time to time in accordance with the terms thereof.

"**PMI**" means Pipeline Management Inc., a corporation incorporated under the ABCA.

"**Post-Arrangement Shares**" means, collectively,

- (a) if the Preferred Share Exchange Approval is received, the Common Shares and the Convertible Shares, and
- (b) if the Preferred Share Exchange Approval is not received, the Common Shares, the Class A Preferred Shares and the Class B Preferred Shares,

and "**Post-Arrangement Share**" means any one of the Common Shares, the Convertible Shares, the Class A Preferred Shares or the Class B Preferred Shares as the case may be.

"**Pre-Arrangement Securities**" means, collectively, the Class A Units, the GP Holdco Class A Preferred Shares and the GP Holdco Class B Preferred Shares and "**Pre-Arrangement Security**" means any one of the Class A Units, the GP Holdco Class A Preferred Shares or the GP Holdco Class B Preferred Shares as the case may be.

"**Preferred Share Exchange**" means the exchange of each outstanding GP Holdco Class A Preferred Share for one (1) Common Share and the exchange of each outstanding GP Holdco Class B Preferred Share for one (1) Convertible Share.

**"Preferred Share Exchange Approval"** means (i) the approval by the requisite majority of the Unitholders of the Preferred Share Exchange Resolution in respect of the Preferred Share Exchange at the Meeting, and (ii) the conditional acceptance of TSX of the Preferred Share Exchange, subject only to the satisfaction of customary conditions.

**"Preferred Share Exchange Resolution"** means the ordinary resolution in respect of the Preferred Share Exchange substantially in the form attached as Appendix "C" to this Circular, to be voted upon by Unitholders at the Meeting.

**"Preferred Shareholders"** means the holders of GP Holdco Preferred Shares from time to time.

**"Putco"** means Inter Pipeline Putco Corp., a corporation incorporated under the ABCA.

**"Record Date"** means July 18, 2013.

**"Registrar"** means the Registrar of Corporations duly appointed under Section 263 of the ABCA.

**"Required Shareholders"** means, in respect of approval of the Plan of Arrangement by the Preferred Shareholders, at least three of the Preferred Shareholders holding at least 75% of the then outstanding GP Holdco Class A Preferred Shares and 75% of the then outstanding GP Holdco Class B Preferred Shares (excluding shares held, directly or indirectly and legally or beneficially, by Inter Pipeline, IPL, Putco or their respective subsidiaries or their successors, assigns or transferees).

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval.

**"Series 1 Medium Term Notes"** means the Series 1 medium term notes of Inter Pipeline.

**"Series 2 Medium Term Notes"** means the Series 2 medium term notes of Inter Pipeline.

**"Series 3 Medium Term Notes"** means the Series 3 medium term notes of Inter Pipeline.

**"Series 4 Medium Term Notes"** means the Series 4 medium term notes of Inter Pipeline.

**"Shareholders"** means the holders of Common Shares from time to time.

**"SIFT"** means a "specified investment flow-through trust" or a "specified investment flow-through partnership", each as defined in the Tax Act.

**"SIFT Rules"** means the legislative provisions governing the taxation of SIFTs and their unitholders, which were announced by the Minister on October 31, 2006 and which were enacted on June 22, 2007.

**"Subscription Agreement"** means the subscription agreement dated as of June 1, 2013 between GP Holdco and Inter Pipeline.

**"subsidiary"** means, with respect to any Person, a subsidiary (as that term is defined in the ABCA (for such purposes, if such Person is not a corporation, as if such Person were a corporation)) of such Person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation.

**"Support Agreement"** means the put option and support agreement dated as of June 1, 2013 among IPL, GP Holdco, Putco, Inter Pipeline and certain shareholders of GP Holdco.

**"Tax Act" or "Income Tax Act"** means the *Income Tax Act*, R.S.C. 1985, c. 1 (5<sup>th</sup> Supp.), as amended, including the regulations promulgated thereunder.

"**Trust**" means Inter Pipeline GP Holding Trust, a trust settled under and governed by the laws of the Province of Alberta.

"**TSX**" means the Toronto Stock Exchange.

"**Unitholders**" means the holders of Class A Units from time to time.

"**USA**" means the unanimous shareholders agreement dated as of June 1, 2013 among the Trust, Inter Pipeline, certain shareholders of GP Holdco and GP Holdco.



## VOTING CLASS A UNITS AND PRINCIPAL HOLDERS THEREOF

Each Class A Unit entitles the holder of the Class A Unit to one vote on all matters coming before the Meeting. Only Unitholders of record as of the close of business on the Record Date (July 18, 2013) are entitled to receive notice of the Meeting. As at July 18, 2013, there were 280,650,866 Class A Units issued and outstanding.

If you are shown as a Unitholder on the Unitholder register kept by Computershare on the Record Date, you will be entitled to vote at the Meeting or any postponement or adjournment thereof on the basis of one vote for each Class A Unit shown opposite your name on Inter Pipeline's register of Unitholders even if you dispose of your Class A Units after the Record Date. No person who becomes a Unitholder after the Record Date will be entitled to vote or act at the Meeting or any postponement or adjournment thereof.

To the knowledge of the directors or executive officers of PMI, no person beneficially owns, or controls or directs, directly or indirectly, 10% or more of the outstanding Class A Units on July 18, 2013, except as described below:

Name and Municipality of Residence	Type of Ownership	Number of Class A Units	Percentage of Outstanding Class A Units
CDS & Co. <sup>(1)</sup> Toronto, Ontario	Legal	280,295,891	99.9%

Note:

- (1) The directors and executive officers of PMI understand that CDS & Co. is a nominee and not a beneficial owner of the Class A Units referred to in the table above. See "*Appointment and Revocation of Proxy - Advice to Beneficial Holders of Class A Units*" in this Circular.

## APPOINTMENT AND REVOCATION OF PROXY

### Inquiries

This Circular is important and requires your immediate attention. Inquiries concerning information in this document should be directed to CST Phoenix Advisors toll-free in North America at 1-800-884-4590 or by email at [inquiries@phoenixadvisorscst.com](mailto:inquiries@phoenixadvisorscst.com). Further contact information for CST Phoenix Advisors is set out on the back page of this Circular.

### Appointment of Proxy

If you wish to have your Class A Units voted at the Meeting by proxy, you must submit a properly completed instrument of proxy to Computershare, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department). **In order to be valid and acted upon at the Meeting, properly completed forms of proxy must be received by Computershare not less than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the Meeting.**

You are only entitled to receive notice of, and to vote or act at, the Meeting or any postponement or adjournment thereof if you were a Unitholder of record at the close of business on the Record Date (July 18, 2013). If you became a Unitholder after the Record Date, you cannot vote at the Meeting or any postponement or adjournment thereof.

If you want to appoint a proxyholder, you must do so in a written document appointing a proxyholder and such document must be executed by you or by your duly authorized attorney in writing. If you are a corporation, the document must be signed under corporate seal or by a duly authorized officer or attorney of the corporation. An instrument of proxy signed by a person acting as attorney or in some other representative capacity should expressly reflect such capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing his or her qualification and authority to so act.

If you receive more than one form of proxy because you own Class A Units registered in different names or addresses, each form of proxy should be completed and returned.

**The persons designated in the enclosed form of proxy furnished by Management are directors and/or officers of PMI. If you are entitled to vote at the Meeting, you may appoint a person other than those named in the enclosed form of proxy to attend and act for and on behalf of you at the Meeting or any postponement or adjournment thereof. To exercise this right, you must insert the name of the person you want to represent you (who does not need to be a Unitholder) in the blank space provided in the enclosed form of proxy and submit such form in the manner described above, or submit another appropriate instrument of proxy.**

### **Revocation of Proxy**

A Unitholder may revoke a proxy given for use at the Meeting at any time before it is acted upon. In addition to revocation in any other manner permitted by law:

- (a) a Unitholder, or an attorney of such holder authorized in writing, may revoke the proxy by signing a written proxy cancellation, or
- (b) if a Unitholder is a corporation, it may revoke the proxy by a written proxy cancellation signed under corporate seal or by an authorized officer or attorney of the corporation.

The proxy cancellation document must be received by Computershare, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department):

- (a) no later than 9:00 a.m. (Calgary time) on August 20, 2013, or
- (b) if the Meeting is postponed or adjourned, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the time set for the postponed or adjourned Meeting, or

alternatively, given to the meeting Chair on the day of the Meeting or the day of any postponed or adjourned Meeting. If an instrument of revocation is deposited with the Chair of the Meeting, it will not be effective with respect to any item of business that has been voted upon prior to the deposit. If you conveyed your voting instructions by telephone or internet then conveying new instructions will revoke prior instructions. The proxy is revoked when the proxy cancellation notice is delivered in one of these ways.

### **Voting of Proxies and Exercise of Discretion by Proxyholders**

On any ballot taken at the Meeting, the nominees named in the enclosed form of proxy will vote the Class A Units in respect of which they have been appointed nominee in accordance with the directions of the Unitholder appointing them. In the absence of such direction, the Class A Units represented by valid instruments of proxy executed in favour of the Management designees and deposited in the manner described above will be voted **FOR** the Arrangement Resolution and **FOR** the Preferred Share Exchange Resolution.

**The enclosed form of proxy gives discretionary authority to the persons named therein with respect to any amendments or variations to matters referred to in the Notice of Meeting and to any other business which may properly come before the Meeting. As at the date of this Circular, the Board and Management do not know of any amendments, variations or other business to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any amendment, variation or other business properly comes before the Meeting, the enclosed form of proxy gives discretionary authority to the persons named therein to vote on any such amendment, variation or other business in accordance with their best judgment.**

### **Advice to Beneficial Holders of Class A Units**

**The information set forth in this section is very important to you if you do not hold Class A Units in your own name. If you hold Class A Units through a broker, financial institution, trustee, nominee or other intermediary or**

otherwise (a "**Beneficial Holder**"), you should note that only proxies deposited by persons whose names appear on the records of Inter Pipeline as the registered holders of Class A Units will be recognized and acted upon at the Meeting.

Class A Units that are listed in an account statement provided to you by a broker are probably not registered in your own name on the records of Inter Pipeline. Such Class A Units are more likely to be registered in the name of your broker or an agent of that broker. In Canada, most such Class A Units are registered in the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Class A Units held by brokers or other intermediaries on your behalf can only be voted (for or against resolutions) at your direction. Without specific instructions, brokers and other intermediaries are prohibited from voting Class A Units for their clients. You should ensure that instructions regarding the voting of your Class A Units are communicated to the appropriate person by the appropriate time.

Applicable regulatory policy in Canada requires brokers and other intermediaries to seek voting instructions from you in advance of Unitholder meetings. Each broker or other intermediary has its own mailing procedures and provides its own return instructions to clients. You should carefully follow these procedures and instructions to ensure that your Class A Units are voted at the Meeting. In some cases, the voting instruction form provided to you by or on behalf of your broker or other intermediary is very similar, even identical, to the enclosed form of proxy being solicited by Management. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary, however, is limited to instructing the registered holder (the broker or other intermediary, or an agent thereof) how to vote on your behalf. Most brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically supplies voting instruction forms, mails those forms to you and asks you to return the forms to Broadridge or follow specified telephone or internet-based voting procedures. Broadridge then tabulates the results of all instructions received and provides appropriate instructions regarding the voting of Class A Units to be represented at the Meeting. **If you receive a voting instruction form from Broadridge, you cannot use that form to vote your Class A Units directly at the Meeting, but must instead return the voting instruction form to Broadridge or complete the telephone or internet-based voting procedures well in advance of the Meeting to have such Class A Units voted at the Meeting on your behalf.**

Although you may not be recognized directly at the Meeting for the purposes of voting Class A Units registered in the name of your broker or other intermediary, you may attend the Meeting as proxyholder for the registered holder and vote your Class A Units in that capacity. If you wish to attend the Meeting and indirectly vote your own Class A Units, you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the voting instruction form provided to you and return the document to your broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

Inter Pipeline may utilize Broadridge's QuickVote system, which involves non-objecting beneficial owners of Class A Units being contacted by Phoenix, which is soliciting proxies on behalf of management of PMI, to obtain voting instructions over the telephone and relaying them to Broadridge (on behalf of the Unitholder's intermediary). While representatives of Phoenix are soliciting proxies on behalf of management of PMI, which is recommending that Unitholders vote in favour of the Arrangement Resolution and Preferred Share Exchange Resolution, Unitholders are not required to vote in the manner recommended by management. The QuickVote system is intended to assist Unitholders in placing their votes; however, there is no obligation for any Unitholder to vote using the QuickVote system, and Unitholders may vote (or change or revoke their votes) at any other time and in any other applicable manner described in this Circular. Any voting instructions provided by a Unitholder will be recorded and such Unitholder will receive a letter from Broadridge (on behalf of the Unitholder's intermediary) as confirmation that his/her/its voting instructions have been accepted.

### **Procedure and Votes Required**

The Interim Order provides that each registered Unitholder as of the close of business on the Record Date will be entitled to receive notice of, to attend and to vote at the Meeting.

Pursuant to the Interim Order:

- (a) each Class A Unit will be entitled to one vote at the Meeting;
- (b) the quorum required for the Meeting shall be one or more Unitholders present in person or by proxy at the Meeting holding at least 10% of the aggregate number of votes attached to the outstanding Class A Units. If within 30 minutes after the time fixed for the Meeting, a quorum is not present, the Meeting shall be held at the same time and place on the day that is 14 days following the day appointed for the Meeting (or if that date is not a Business Day, the first Business Day after that date). PMI will give three days notice to all Unitholders of the date of the reconvening of the postponed or adjourned meeting and at such meeting the quorum will consist of the Unitholders then present in person or by proxy entitled to vote at such meeting; and
- (c) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast by Unitholders, either in person or represented by proxy, at the Meeting. In addition, if the Arrangement includes the Preferred Share Exchange, the Arrangement Resolution must be approved by a majority of the votes cast by Unitholders, either in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes may not be included in determining minority approval of a business combination pursuant to MI 61-101.

Pursuant to the requirements of the TSX, the number of votes required to pass the Preferred Share Exchange Resolution is a majority of more than 50% of the votes cast by the Unitholders (other than Unitholders that hold GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares) who are represented in person or by proxy at the Meeting.

## **THE ARRANGEMENT**

### **Background to the Arrangement**

Inter Pipeline owns and operates a major energy infrastructure business, including petroleum transportation, natural gas liquids extraction and bulk liquid storage businesses located in western Canada, the United Kingdom, Denmark and Germany. Since it was established in 1997, Inter Pipeline has been structured as a publicly-traded limited partnership with its business affairs being administered, managed, controlled and operated by its general partner. The general partner, PMI, is paid certain fees based on Inter Pipeline's operating cash flow results, acquisition and divestiture activity and incentive fees which are based on a sliding scale that increasingly rewards the general partner for cash distributions paid to Unitholders above certain thresholds.

Inter Pipeline first began considering potential alternatives to its limited partnership structure following announcement of the "Tax Fairness Plan" by the federal Minister of Finance on October 31, 2006. This plan included changes to the manner in which certain flow-through entities ("**SIFTS**") such as publicly-traded royalty trusts, income funds and limited partnerships were taxed. Inter Pipeline determined that, despite enactment of the SIFT legislation and the prospect of becoming a taxable entity effective January 1, 2011, there was no compelling reason to convert to a corporation from an effective tax rate or market valuation perspective. In addition, Inter Pipeline would have incurred material ongoing costs related to the re-pricing of then-existing credit facilities at less favourable interest rates.

Over the past two years, several developments resulted in renewed interest in potential changes to Inter Pipeline's entity structure. Inter Pipeline's major credit facilities approached maturity and were routinely renewed at prevailing market rates. Inter Pipeline also entered into several major pipeline expansion contracts involving the construction of new bitumen blend and diluent delivery infrastructure. Inter Pipeline recognized that completion of these projects would require significant new capital and also that fees payable to PMI would likely increase materially in future years as these new projects entered commercial service and cash distributions to Unitholders potentially increase. Corporate governance standards in Canada also continued to evolve during this period, highlighting Inter Pipeline's unique structure among large publicly traded businesses.

In 2012, PAC, the privately-held owner of PMI, indicated it would consider selling its general partner interest to Inter Pipeline, facilitating the potential conversion of Inter Pipeline to a corporation. Shortly thereafter, PAC and Inter Pipeline entered into negotiations which ultimately resulted in the completion of the Internalization Transactions effective June 1, 2013. A Special Committee of the Board of Directors, comprised solely of independent directors, negotiated and approved the Internalization Transactions including the proposed Preferred Share Exchange. Additional information related to the Internalization Transactions is included in Inter Pipeline's material change report dated June 2, 2013 which is incorporated by reference into and forms an integral part of this Circular.

At a meeting held on July 22, 2013, the Board of Directors unanimously (other than Messrs. Driscoll and Fesyk who abstained from voting due to their interests in the Preferred Share Exchange) (i) determined that the Arrangement and the Preferred Share Exchange are in the best interests of Inter Pipeline and its Unitholders; (ii) resolved to recommend that Unitholders vote in favour of both related resolutions; and (iii) approved the entering into of the Arrangement Agreement, the implementation of the Plan of Arrangement and the submission of the Arrangement Resolution and the Preferred Share Exchange Resolution to the Unitholders for a vote at the Meeting. The Board of Directors further approved, among other things, the making of the necessary court applications and regulatory applications in connection with the Arrangement and the Preferred Share Exchange and the contents of this Circular and its distribution to Unitholders.

### **Benefits of the Arrangement**

The Board of Directors believes that the proposed Arrangement is in the best interest of Unitholders and will support the successful execution of Inter Pipeline's strategic plan. In addition, completion of the Arrangement is expected to provide the following benefits:

- allow Inter Pipeline to access foreign sources of equity capital which are not currently permitted under the limited partnership structure;
- provide enhanced flexibility to finance Inter Pipeline's significant growth capital requirements in the coming years;
- create a more conventional form of corporate governance including the annual election of directors and the holding of annual meetings; and
- simplify Inter Pipeline's entity structure, resulting in cost savings and the ability to complete commercial transactions more efficiently.

Inter Pipeline is proposing to complete the Preferred Share Exchange as part of the Arrangement. The Board of Directors believes the Preferred Share Exchange will provide the following benefits:

- ensure that former PAC shareholders, including certain current senior management team members, hold the same equity participation rights and entitlements as those held by public shareholders of Inter Pipeline Ltd.;
- provide full alignment of interests between former PAC shareholders and those of New Inter Pipeline's public shareholders;
- eliminate the GP Holdco Preferred Shares issued to the former PAC shareholders under the Internalization Transactions and the associated cash retraction and "put" rights and thereby avoid the potential obligation for New Inter Pipeline to have to fund the retraction or repurchase of the GP Holdco Preferred Shares and to incur the associated refinancing costs; and
- otherwise simplify Inter Pipeline's capital structure through the elimination of the GP Holdco Preferred Shares.

## Approval and Recommendation of the Board of Directors

**The Board of Directors, based on its own investigation and on the advice of external legal counsel and tax advisors, has unanimously (Messrs Driscoll and Fesyk abstaining) determined that the Arrangement and Preferred Share Exchange are in the best interests of Inter Pipeline and the Unitholders, and recommends that Unitholders vote FOR the Arrangement Resolution and the Preferred Share Exchange Resolution.**

In formulating its recommendations, the Board of Directors considered a number of factors in addition to those described elsewhere in this Circular, including, but not limited to, the following:

- a review of Inter Pipeline's strategic plan, corporate objectives and the optimal structure to maximize Unitholder value;
- Inter Pipeline's expected growth capital requirements over the next three to five years based on publicly announced projects and other projects under active development;
- the potential to attract a broader base of investors if structured as a corporation;
- the potentially favourable impact that higher liquidity and access to non-Canadian equity investors may have on Inter Pipeline's Common Shares;
- a review of best practises in corporate governance among Canadian publicly traded companies;
- a review of non-resident ownership restrictions that currently apply to Canadian partnerships under the Tax Act and other relevant legislation in Canada;
- that Unitholders may elect to exchange Class A Units for Common Shares, from a Canadian federal income tax perspective, on a tax-deferred basis; and
- the advice of external legal counsel and tax advisors.

The foregoing discussion of the information and factors considered and evaluated by the Board of Directors is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement Resolution and the Preferred Share Exchange Resolution, the Board of Directors did not assign any relative or specific weight to the factors that were considered, and individual directors may have given different weight to each factor. There are risks associated with the Arrangement, including that some of the potential benefits set forth in this Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "Risk Factors".

**Unless otherwise directed by Unitholders appointing them proxyholder, the persons named in the enclosed form of proxy intend to vote the Class A Units represented thereby FOR the Arrangement Resolution and FOR the Preferred Share Exchange Resolution.**

As at July 23, 2013, the directors and officers of PMI and their associates beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 157,600 Class A Units, representing less than 1% of the outstanding Class A Units. **Each of the directors and officers of PMI have indicated they intend to vote all of their Class A Units in favour of the Arrangement Resolution and the Preferred Share Exchange Resolution.**

## Effect of the Arrangement on Unitholders

If approved, the Arrangement will result in the reorganization of Inter Pipeline's limited partnership structure into a dividend paying corporation, New Inter Pipeline, on the Effective Date. New Inter Pipeline will carry on the businesses currently carried on by Inter Pipeline. Following the completion of the Arrangement, the Board of Directors and management of New Inter Pipeline will be comprised of the members of the Board of Directors and

Management of PMI immediately prior to such Arrangement. See "*Information Concerning Inter Pipeline Ltd.*" and Appendix "D" – *Information Concerning Inter Pipeline Ltd.*

Pursuant to the Arrangement, Unitholders will receive one Common Share for each Class A Unit held on the Effective Date. See "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*Certain Canadian Federal Income Tax Considerations*" and "*The Arrangement – Procedure for Exchange of Class A Units*".

#### **Effect of the Arrangement on Holders of GP Holdco Preferred Shares**

If approved, pursuant to the Arrangement and the Preferred Share Exchange, the holders of GP Holdco Class A Preferred Shares will receive one Common Share in exchange for each GP Holdco Class A Preferred Share held and the holders of GP Holdco Class B Preferred Shares will receive one Convertible Share in exchange for each GP Holdco Class B Preferred Share held. If the Arrangement is approved and the Preferred Share Exchange is not approved at the Meeting, each outstanding GP Holdco Class A Preferred Share will be converted into one Class A Preferred Share and each outstanding GP Holdco Class B Preferred Share will be converted into one Class B Preferred Share pursuant to the Arrangement. The Class A Preferred Shares and the Class B Preferred Shares will have substantially the same rights and privileges as the GP Holdco Class A Preferred Shares and the GP Holdco Class B Preferred Shares, respectively, including the right of the holders thereof to require New Inter Pipeline to redeem or Putco to purchase such shares for cash in certain events. See "*Information Concerning Inter Pipeline Ltd.*" and Appendix "D" – *Information Concerning Inter Pipeline Ltd.* and see "*Risk Factors – Risks Relating to the Arrangement*". See also "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Procedure for Exchange of GP Holdco Preferred Shares*".

#### **Effect of the Arrangement on Distributions**

Inter Pipeline currently anticipates that there will be no change in its distribution policy following the completion of the Arrangement and that New Inter Pipeline will declare cash dividends on a monthly basis in the amount of \$0.095 per Common Share, representing an annual dividend of \$1.14 per Common Share, the first of which is expected to be paid on or about October 15, 2013 to shareholders of record on September 23, 2013. New Inter Pipeline expects to designate any dividends paid as "eligible dividends" for Canadian federal income tax purposes, which are anticipated to qualify for the enhanced federal dividend tax credit in Canada.

Notwithstanding the foregoing, the amount of any dividends payable by New Inter Pipeline will be at the discretion of the Board of Directors of New Inter Pipeline from time to time. The amount may vary depending on, among other things, New Inter Pipeline's earnings, financial requirements for New Inter Pipeline's operations, the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends and other conditions existing from time to time.

See Appendix "D" – *Information Concerning Inter Pipeline Ltd. – Dividend Record and Policy.*

#### **Effect of the Arrangement on Holders of Medium Term Notes**

Pursuant to the Arrangement, New Inter Pipeline will be the successor debtor under the Note Indentures as confirmed pursuant to the supplemental indentures to be entered into among Inter Pipeline and Computershare Trust Company of Canada.

See Appendix "D" – *Information Concerning Inter Pipeline Ltd. – Pro Forma Consolidated Capitalization.*

#### **Effect of the Arrangement on the DRIP**

Pursuant to the Arrangement, it is proposed that the DRIP be replaced and superseded so that, among other things, the Amended DRIP will provide that Shareholders who are eligible to participate in the Amended DRIP in accordance with its terms may direct, under the Dividend Reinvestment Component (as defined in the Amended DRIP) of the Amended DRIP, that the cash dividends they are entitled to receive on their Common Shares be reinvested in additional Common Shares issued from treasury up to a 5% discount to the Average Market Price (as

defined in the Amended DRIP) on the applicable dividend payment date or elect, under the Premium Dividend™ Component (as defined in the Amended DRIP) of the Amended DRIP, to have these additional Common Shares delivered to the designated plan broker in exchange for a premium cash payment equal to 102% of the cash dividend that such Shareholders would otherwise have received on the applicable dividend payment date; and the Amended DRIP will incorporate such other changes to the DRIP as may be necessary to give effect to the above provided, however, that no such change shall have retroactive effect prejudicial to Unitholders who were participants in the DRIP prior to the Effective Date.

The Amended DRIP will provide that Shareholders who are resident in Canada may participate in either the Dividend Reinvestment Component or the Premium Dividend™ Component of the Amended DRIP and that, unless otherwise announced by New Inter Pipeline, a Shareholder who is a resident of the United States or is otherwise a "U.S. person" as that term is defined in Regulation S under the United States Securities Act of 1933, as amended, may not participate in either component of the Amended DRIP. A "U.S. person" includes, without limitation, any natural person resident in the United States, any partnership or corporation organized or incorporated under the laws of the United States, any estate of which any executor or administrator is a U.S. person and any trust of which any trustee is a U.S. person.

The Amended DRIP will also provide that Shareholders who are resident in any jurisdiction outside of Canada (other than the United States) may participate in the dividend reinvestment component of the Amended DRIP only if their participation is permitted by the laws of the jurisdiction in which they reside and provided that New Inter Pipeline is satisfied, in its sole discretion, that such laws do not subject the Amended DRIP or New Inter Pipeline to additional legal or regulatory requirements. Any such Shareholder wishing to participate in the dividend reinvestment component should consult legal counsel where they reside to determine their eligibility to participate. Unless otherwise announced by New Inter Pipeline, Shareholders not resident in Canada may not participate in the Premium Dividend™ component of the Amended DRIP. The amount of any cash dividends to be reinvested under the Amended DRIP on behalf of Shareholders who are not residents of Canada will be reduced by the amount of any applicable non-resident withholding tax.

Under the Amended DRIP, New Inter Pipeline will reserve the right to deny participation in the Amended DRIP to, or cancel the participation of, any person or agent of any person who appears to be, or who New Inter Pipeline has reason to believe is, subject to the laws of any jurisdiction which do not permit participation in the Amended DRIP in the manner sought by such person or which will subject the Amended DRIP or New Inter Pipeline to requirements of the jurisdiction not otherwise applicable to the Amended DRIP or New Inter Pipeline, or whose participation in the Amended DRIP is suspected to be part of a scheme to avoid applicable legal requirements or otherwise engage in unlawful behavior. In addition, New Inter Pipeline may suspend the Premium Dividend™ Component of the Amended DRIP at any time.

New Inter Pipeline will also reserve the right to determine, from time to time, a minimum number of Common Shares that a Shareholder must hold in order to be eligible for, or continue to be enrolled in, the Amended DRIP, subject to any applicable legal or regulatory requirements.

No commissions, service charges or brokerage fees will be payable in connection with the purchase of Common Shares from New Inter Pipeline under either component of the Amended DRIP. Shareholders who are eligible to participate in the Amended DRIP in accordance with its terms and who wish to participate in the Amended DRIP indirectly through a broker or other nominee will be advised to consult such broker or other nominee to confirm whether commissions, service charges or other fees are payable.

Participation in the Amended DRIP will not relieve Shareholders of any liability for taxes that may be payable in respect of Dividends or Premium Dividends (as defined in the Amended DRIP) that are reinvested in new Common Shares under the Amended DRIP.

In addition to the replacement of Inter Pipeline's DRIP pursuant to the Arrangement, New Inter Pipeline and certain subsidiaries of New Inter Pipeline will enter into new agreements in respect of the Amended DRIP. The other parties to these agreements have agreed to enter into such new agreements.



With respect to the distribution expected to be declared payable on or about September 15, 2013 to holders of Class A Units of record on August 23, 2013, Inter Pipeline's obligation to issue Class A Units under the DRIP in respect of such distribution will be satisfied instead by the issuance of Common Shares by New Inter Pipeline reserved and authorized for issuance under the Amended DRIP.

See "*The Arrangement – Details of the Arrangement – Arrangement Steps*" and "*Certain Canadian Federal Income Tax Considerations*".

### **Effect of the Arrangement on Holders of DURs**

Pursuant to the Arrangement, New Inter Pipeline will succeed to Inter Pipeline's obligations under the DUR Plan and all outstanding DURs and the DUR Plan will be amended to replace references to Inter Pipeline and Class A Units with references to New Inter Pipeline and Common Shares, respectively, and other incidental amendments to reflect the Arrangement.

### **Details of the Arrangement**

#### *Arrangement Steps*

Pursuant to the Arrangement, commencing at 12:01 a.m. on the Effective Date, each of the events set out in Section 3.1 of the Plan of Arrangement, which is attached as Schedule 1 to the Arrangement Agreement, which is attached as Appendix "A" to this Circular, shall occur and shall be deemed to occur sequentially on the dates and at the times specified in Section 3.1 of the Plan of Arrangement without any further act or formality, except as otherwise provided in the Plan of Arrangement. The following is a summary of the events that shall occur pursuant to the Plan of Arrangement.

#### *Payment of Other Amounts*

- GP Holdco shall declare payable to holders of GP Holdco Class A Preferred Shares a dividend equal to the Other Amounts, if any, applicable to each such share at such time payable on the payment date, if any, for the corresponding distribution declared on the Class A Units.

#### *Amendment of Partnership Agreement*

- The Partnership Agreement shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions contemplated by the Plan of Arrangement.

#### *Exercise of IPL Call Option*

- If the Preferred Share Exchange Approval is received, IPL shall exercise the IPL Call Option and, without any further action by, or on behalf of, the Trust or IPL, the one issued and outstanding class A voting common share in the capital of Putco owned by the Trust shall be sold, assigned and transferred by the Trust to IPL for the consideration provided in the Call Option Agreement.

#### *Preferred Share Exchange*

- If the Preferred Share Exchange Approval is received:
  - each outstanding GP Holdco Class A Preferred Share shall, without any further action by, or on behalf of, any holder of GP Holdco Class A Preferred Shares, be sold, assigned and transferred to IPL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable Common Share of IPL; and
  - each outstanding GP Holdco Class B Preferred Share shall, without any further action by, or on behalf of, any holder of GP Holdco Class B Preferred Shares, be sold, assigned and

transferred to IPL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable Convertible Share of IPL.

*Termination of Subscription Agreement and USA and, if the Preferred Share Exchange Approval is received, Support Agreement*

- the Subscription Agreement and USA shall be terminated without payment of any consideration and shall cease to have any further force or effect, and if the Preferred Share Exchange Approval is received, the Support Agreement shall be terminated without payment of any consideration and shall cease to have any further force or effect.

*Exchange of Class A Units for IPL Common Shares*

- Each outstanding Class A Unit shall, without any further action by, or on behalf of, any Unitholder, be sold, assigned and transferred to IPL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable Common Share of IPL.

*Acquisition of GP Holdco Class A Voting Shares*

- Without any further action by, or on behalf of, the Trust or IPL, the GP Holdco Class A Voting Shares shall be sold, assigned and transferred by the Trust to IPL for cash consideration equal to the fair market value thereof.

*Repurchase for Cancellation of IPL Common Share*

- Without any further action by, or on behalf of, the Trust or IPL, the one IPL Common Share owned by the Trust shall be sold, assigned and transferred by the Trust to IPL for cash consideration equal to the fair market value thereof and such IPL Common Share shall be cancelled.

*Repayment of Intercompany Loans – Partnership*

- Inter Pipeline shall pay all amounts owing to GP Holdco pursuant to the Support Agreement, if any, and all accrued unpaid interest in respect of the Partnership Note, if any.

*Repayment of Intercompany Loans – General Partner*

- PMI shall contribute the Partnership Note to Inter Pipeline as a contribution of partnership capital in an amount equal to the principal amount of the Partnership Note and Inter Pipeline shall issue to PMI in consideration therefor that number of Class B Units equal to the quotient obtained by dividing the principal amount of the Partnership Note by the fair market value of one Class B Unit determined immediately prior to the contribution of the Partnership Note.

*PMI Assumption of Liabilities of Inter Pipeline*

- Without any further action by, or on behalf of, Inter Pipeline, PMI or any other person, PMI shall assume as a contribution of partnership capital all of the liabilities and obligations of Inter Pipeline including, without limitation, the liabilities and obligations of Inter Pipeline in respect of the DRIP and associated agreements, all of the covenants and obligations of Inter Pipeline under the Note Indentures (such that the Medium Term Notes will be valid and binding obligations of PMI entitling the holders thereof, as against PMI to all the rights of such holders under the Note Indentures) and, in connection therewith, PMI shall enter into a supplemental indenture or indentures with the Note Trustee in accordance with the applicable requirements of the Note Indentures and otherwise comply with all requirements of the Note Indentures relating thereto, and Inter Pipeline shall issue to PMI in consideration therefor that number of Class B Units equal to the quotient obtained by dividing the

principal amount of the liabilities and obligations assumed by PMI by the fair market value of one Class B Unit immediately prior to the assumption of the liabilities and obligations of Inter Pipeline.

*Acquisition of Class A Units by PMI; Inter Pipeline Dissolution*

- Without any further action by, or on behalf of, Inter Pipeline, PMI or IPL, all of the Class A Units owned by IPL shall be sold, assigned and transferred to PMI in exchange for 1,000 PMI Preferred Shares having an aggregate redemption amount equal to the aggregate fair market value of such Class A Units; and
  - by virtue of the acquisition by PMI of all of the Class A Units it does not already own Inter Pipeline shall be dissolved and terminated without any further action and:
    - all of Inter Pipeline's property and assets shall become the property and assets of PMI without any further action; and
    - the Partnership Agreement shall be terminated without payment of any consideration and cease to have any further force or effect for any purpose.

*Amended DRIP*

- The Amended DRIP shall become effective.

*DURs and DUR Plan*

- All outstanding DURs and the DUR Plan shall be amended to replace references to Inter Pipeline and the Class A Units with references to IPL and the IPL Common Shares, respectively, and other incidental amendments to reflect the Arrangement.

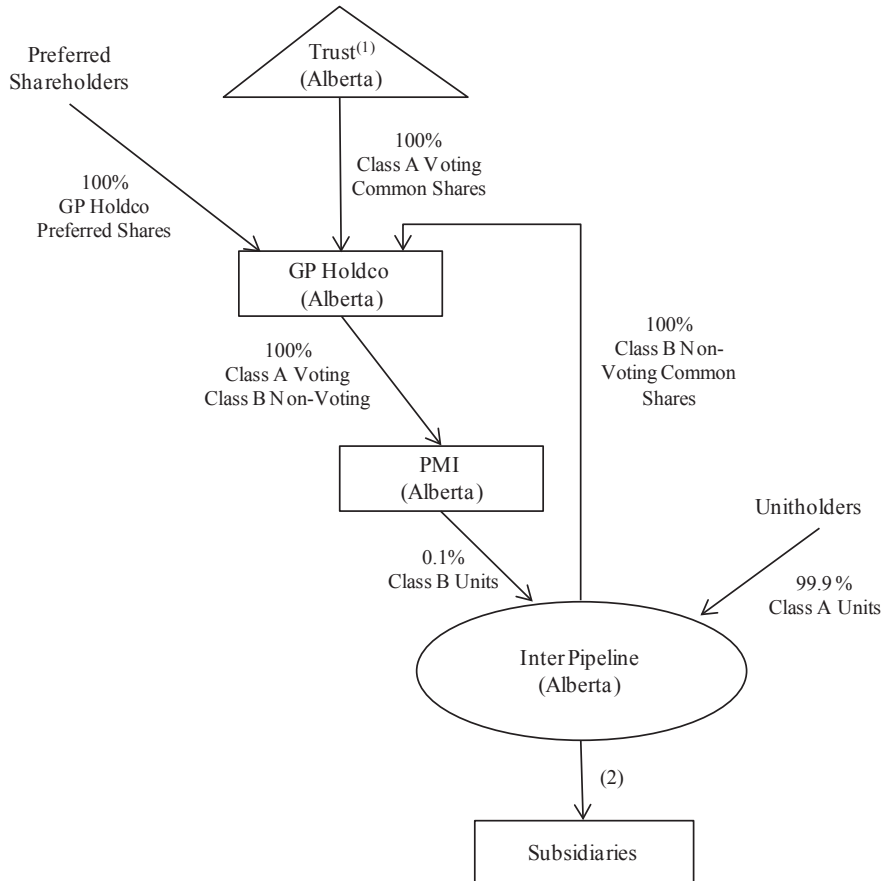
*The Amalgamation and Formation of New Inter Pipeline*

- The Amalgamating Corporations shall amalgamate pursuant to the ABCA and continue as one corporation on the terms prescribed in the Plan of Arrangement with the name "Inter Pipeline Ltd." or such other name as the directors of New Inter Pipeline may determine, and on the Amalgamation:
  - the Articles of Amalgamation of New Inter Pipeline shall be the same as the articles of IPL, provided that:
    - if the Preferred Share Exchange Approval is received, the authorized share capital of New Inter Pipeline shall consist of the Common Shares and the Convertible Shares, and
    - if the Preferred Share Exchange Approval is not received, the authorized share capital of New Inter Pipeline shall consist of the Common Shares, the Class A Preferred Shares and the Class B Preferred Shares;
  - if the Preferred Share Exchange Approval is received,
    - each issued and outstanding Common Share of IPL shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable Common Share; and
    - each issued and outstanding Convertible Share of IPL shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable Convertible Share; and

- each issued and outstanding share in the capital of GP Holdco, PMI and Putco shall be cancelled without any payment of capital in respect thereof; and
  - if the Preferred Share Exchange Approval is not received,
    - each issued and outstanding Common Share of IPL shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable Common Share;
    - each issued and outstanding GP Holdco Class A Preferred Share of each series shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable Class A Preferred Share of the corresponding series; and
    - each issued and outstanding GP Holdco Class B Preferred Share of each series shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable Class B Preferred Share of the corresponding series;
  - the initial directors of New Inter Pipeline shall be the directors of IPL and the by-laws of New Inter Pipeline shall be the same as the by-laws of IPL.

***Current Organizational Structure***

The following diagram sets forth the current simplified organizational structure of Inter Pipeline.

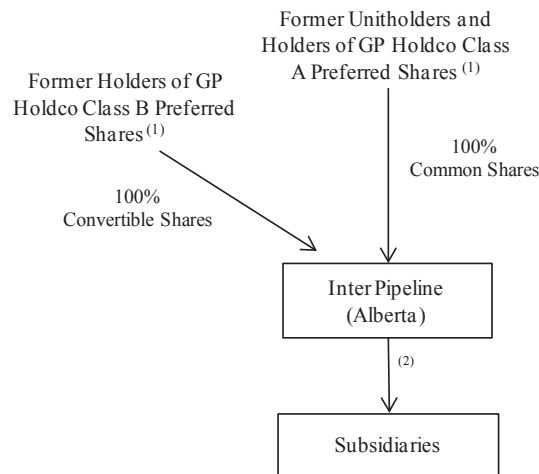


Notes:

- (1) The Trust also owns 100% of the outstanding shares of IPL and the Trust and IPL each own 50% of the outstanding shares of Putco.
- (2) All of the Subsidiaries are directly or indirectly wholly-owned by Inter Pipeline except for Cold Lake Pipeline Ltd. and Cold Lake Pipeline Limited Partnership which are each owned as to 85% by Inter Pipeline.

### ***Post-Arrangement Structure***

Immediately following the Effective Date, former Unitholders and, if the Preferred Share Exchange is approved, former holders of GP Holdco Class A Preferred Shares, will hold all of the outstanding Common Shares of Inter Pipeline. The following diagram illustrates the simplified organizational structure of Inter Pipeline immediately following the completion of the Arrangement.



Notes:

- (1) The diagram assumes the completion of the Preferred Share Exchange as part of the Arrangement. If the Preferred Share Exchange is not completed (a) New Inter Pipeline will have outstanding 7,411,683 Class A Preferred Shares and 7,055,406 Class B Preferred Shares held by the former holders of GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares, respectively, (b) no Convertible Shares will be authorized or outstanding, and (c) Putco will continue to exist and will be owned as to 50% each by New Inter Pipeline and the Trust. See Appendix "D" – *Information Concerning Inter Pipeline Ltd.* for a more detailed description of the rights and privileges attaching to the Common Shares, the Convertible Shares, the Class A Preferred Shares and the Class B Preferred Shares.
- (2) All of the Subsidiaries are directly or indirectly wholly-owned by Inter Pipeline except for Cold Lake Pipeline Ltd. and Cold Lake Pipeline Limited Partnership which are each owned as to 85% by Inter Pipeline.

Assuming that the same number of Class A Units are outstanding on the Effective Date as were outstanding on July 18, 2013, and that the Preferred Share Exchange is approved and Common Shares are issued to the former holders of GP Holdco Class A Preferred Shares and Convertible Shares are issued to the former holders of GP Holdco Class B Preferred Shares, upon the completion of the Arrangement an aggregate of 288,062,549 Common Shares and 7,055,406 Convertible Shares (convertible into an aggregate of up to 7,055,406 Common Shares) will be issued and outstanding.

### **Arrangement Agreement**

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants of each of Inter Pipeline, PMI, the Trust and IPL and various conditions precedent, both mutual and with respect to Inter Pipeline, PMI and IPL.

**The Arrangement Agreement is attached as Appendix "A" to this Circular and reference is made thereto for the full text thereof.**

## Approvals

### *Unitholder Approval*

#### Arrangement Resolution

Pursuant to the Interim Order, the Arrangement Resolution must be approved by not less than two-thirds of the votes cast by Unitholders, either in person or represented by proxy, at the Meeting. In addition, if the Arrangement includes the Preferred Share Exchange, the Arrangement Resolution must be approved by a majority of the votes cast by Unitholders, either in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes may not be included in determining minority approval of a business combination pursuant to MI 61-101. The form of proxy or voting instruction form allows Unitholders to vote "for" or "against" the Arrangement Resolution. In addition, if the Arrangement includes the Preferred Share Exchange, the Arrangement Resolution must be approved by a majority of the votes cast by Unitholders, after excluding the votes cast by persons whose votes may not be included in determining minority approval of a business combination pursuant to MI 61-101. **Unless otherwise directed by Unitholders appointing them proxyholder, the persons named in the enclosed form of proxy intend to vote the Class A Units represented thereby FOR the Arrangement Resolution.**

Notwithstanding the foregoing, the Arrangement Resolution proposed for consideration by the Unitholders authorizes, and empowers, any director or officer of PMI, in its capacity as the general partner of Inter Pipeline, without further notice to or approval of such Unitholders, to amend, modify, supplement or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions and to revoke the Arrangement Resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement, notwithstanding that the Arrangement Resolution has been duly passed by the Unitholders or that the Arrangement has received the approval of the Court. The full text of the Arrangement Resolution is attached as Appendix "C" to this Circular.

#### Preferred Share Exchange Resolution

Pursuant to Section 613 of the TSX Company Manual, the Preferred Share Exchange Resolution must be approved by a majority of more than 50% of the votes cast by the Unitholders (other than Unitholders that hold GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares) voting in person or by proxy at the Meeting, as the issuance of the Common Shares and the Convertible Shares pursuant to the Preferred Share Exchange is considered by the TSX to constitute a security based compensation arrangement. The form of proxy or voting instruction form allows Unitholders to vote "for" or "against" the Preferred Share Exchange Resolution. **Unless otherwise directed by Unitholders appointing them proxyholder, the persons named in the enclosed form of proxy intend to vote the Class A Units represented thereby FOR the Preferred Share Exchange Resolution.** The full text of the Preferred Share Exchange Resolution is attached as Appendix "C" to this Circular. See also "*Stock Exchange Listing Approvals – Preferred Share Exchange Resolution*".

### *Preferred Shareholder Approval*

Pursuant to the Support Agreement, the consent of the Required Shareholders is required to the Preferred Share Exchange and the Required Shareholders have consented to the Preferred Share Exchange in the form provided for in the Plan of Arrangement.

### *Court Approvals*

#### *Interim Order*

On July 23, 2013, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix "B" to this Circular.

*Final Order*

The ABCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Unitholders at the Meeting in the manner required by the Interim Order, Inter Pipeline, PMI and IPL will make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for August 22, 2013 at 2:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard. At the hearing, any Unitholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon Inter Pipeline a Notice of Appearance together with any evidence or materials which such party intends to present to the Court on or before noon (Calgary time) on August 15, 2013. **Service of such notice shall be effected by service upon the solicitors of Inter Pipeline: Burnet, Duckworth & Palmer LLP, 2400, 525 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1G1, Attention: Jeff Sharpe.**

Inter Pipeline has been advised by its counsel, Burnet, Duckworth & Palmer LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, Inter Pipeline may determine not to proceed with the Arrangement.

***Stock Exchange Listing Approvals***

The TSX has conditionally approved, among other things, the listing of the Common Shares issuable pursuant to the Arrangement (including the Preferred Share Exchange), subject to New Inter Pipeline fulfilling all of the listing requirements of the TSX.

Following completion of the Arrangement, the trading symbol for the Common Shares on the TSX is expected to be "IPL".

**Preferred Share Exchange Resolution**

Pursuant to Section 613 of the TSX Company Manual, the Preferred Share Exchange Resolution must be approved by a majority of more than 50% of the votes cast by the Unitholders (other than Unitholders that hold GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares) voting in person or by proxy at the Meeting, as the issuance of the Common Shares and the Convertible Shares pursuant to the Preferred Share Exchange is considered by the TSX to constitute a security based compensation arrangement. The form of proxy or voting instruction form allows Unitholders to vote "for" or "against" the Preferred Share Exchange Resolution. **Unless otherwise directed by Unitholders appointing them proxyholder, the persons named in the enclosed form of proxy intend to vote the Class A Units represented thereby FOR the Preferred Share Exchange Resolution.** The full text of the Preferred Share Exchange Resolution is attached as Appendix "C" to this Circular.

Assuming that the same number of Class A Units (280,650,866), GP Holdco Class A Preferred Shares (7,411,683) and GP Holdco Class B Preferred Shares (7,055,406) are outstanding on the Effective Date as were outstanding on July 18, 2013, and that the Preferred Share Exchange is approved and Common Shares are issued to the former holders of GP Holdco Class A Preferred Shares and Convertible Shares are issued to the former holders of GP Holdco Class B Preferred Shares, upon the completion of the Arrangement an aggregate of 288,062,549 Common Shares will be issued and outstanding and former Preferred Shareholders will own 7,569,283 Common Shares (2.6% of the total Common Shares outstanding) and 7,055,406 Convertible Shares (convertible into an aggregate of up to 7,055,406 Common Shares). Assuming the conversion of all such Convertible Shares an aggregate of 295,117,955 Common Shares would be issued and outstanding and former Preferred Shareholders would own 14,467,089 Common Shares (5.0%) of the total Common Shares outstanding). "Insiders" (within the meaning of the TSX Company Manual) of Inter Pipeline currently own 7,600 Class A Units (less than 0.01% of the total Class A Units outstanding), 6,225,813 GP Holdco Class A Preferred Shares and 5,926,542 GP Holdco Class B Preferred Shares and, accordingly, if the Preferred Share Exchange is approved and Common Shares are issued to the former

holders of GP Holdco Class A Preferred Shares and Convertible Shares are issued to the former holders of GP Holdco Class B Preferred Shares such insiders would own an aggregate of 6,225,813 Common Shares, (approximately 2.2% of the total Common Shares outstanding) and 5,926,542 Convertible Shares (convertible into an aggregate of 5,926,542 Common Shares), or 12,152,355 Common Shares (approximately 4.1% of the total Common Shares outstanding) assuming the conversion of all such Convertible Shares as a result of the Preferred Share Exchange.

### ***Other Regulatory Approvals***

In addition to the approval of Unitholders and the Court, it is a condition precedent to the implementation of the Arrangement that any requisite regulatory approvals be obtained.

### ***Third Party Approvals***

The Arrangement is also conditional upon the receipt of any necessary material third party consents and approvals.

### **Timing of Completion of the Arrangement**

If the Meeting is held as scheduled and is not postponed or adjourned and the other necessary conditions at that point in time are satisfied or waived, Inter Pipeline, PMI and IPL will apply for the Final Order approving the Arrangement on August 22, 2013. If the Final Order is obtained on August 22, 2013 in form and substance satisfactory to Inter Pipeline, PMI and IPL, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, Inter Pipeline expects that the Effective Date will occur on or about September 1, 2013.

The provisions of the Arrangement that are intended to become effective on the Effective Date pursuant to the Plan of Arrangement will become effective upon the filing, on such date, with the Registrar of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

### **Procedure for Exchange of Class A Units**

Upon the Arrangement becoming effective, each registered Unitholder will be removed from Inter Pipeline's register and, until validly surrendered, the certificates formerly representing Class A Units held by any such Unitholder shall represent only the right to receive, upon such surrender, a DRS Advice evidencing the ownership of Common Shares which such former Unitholder is entitled to receive pursuant to the Arrangement and dividends accrued to such former Unitholder in respect of such Common Shares, if any.

Inter Pipeline has sent with this Circular to each registered Unitholder at the address of such holder as it appears on the register of Class A Units on the Record Date, a Letter of Transmittal and instructions for obtaining delivery of a DRS Advice evidencing the ownership of Common Shares which such former Unitholder is entitled to receive pursuant to the Arrangement. New Inter Pipeline will, as soon as practicable following the later of the Effective Date and the delivery to the Depositary for cancellation of certificates representing such holder's Class A Units and the Letter of Transmittal, duly completed in accordance with the instructions contained therein, and such other documents as the Depositary may reasonably require, cause the Depositary to deliver to such holder a DRS Advice evidencing the number of Common Shares which such holder has the right to receive and the certificates so surrendered will forthwith be cancelled. A DRS Advice representing the Common Shares issued to such holder shall be registered in such name(s) and, delivered to such address as such holder may direct in such Letter of Transmittal, or if requested by the former Unitholder in the Letter of Transmittal, made available at the Depositary for pick-up by the former Unitholder, as soon as practicable after receipt by the Depositary of the required documents. A Shareholder can request a physical share certificate representing the Common Shares by completing the information accompanying the DRS Advice. Unitholders whose Class A Units are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to arrange for the exchanges of their Class A Units for Common Shares.

If Class A Units are transferred after the Record Date and prior to the Effective Time, the transferee of such Class A Units may obtain a DRS Advice evidencing the number of Common Shares it is entitled to receive in exchange for



its Class A Units pursuant to the Arrangement by duly completing the Letter of Transmittal, in accordance with the instructions contained therein, and by delivering to the Depositary such other documents as the Depositary may reasonably require in order to effect such transfer.

Unitholders are advised that use of the mail to transmit certificates representing their Class A Units and the Letter of Transmittal is at each holder's risk. Inter Pipeline recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used and that proper insurance be obtained.

All signatures on the Letter of Transmittal and on certificates representing Class A Units must be guaranteed by an Eligible Institution, unless otherwise provided.

A registered Unitholder who has lost or misplaced his, her or its Class A Unit certificate(s) should complete the Letter of Transmittal as fully as possible and forward it, together with an affidavit explaining the loss, to the Depositary. The Depositary will assist in making arrangements for the necessary documentation (which may include a bonding requirement) for a DRS Advice to be issued in accordance with the Arrangement.

**Any certificate formerly representing Class A Units that is not deposited with all other documents as provided in the Plan of Arrangement on or before the last Business Day before the third anniversary of the Effective Date shall, effective at 5:00 p.m. (Calgary time) on the last Business Day before the third anniversary of the Effective Date: (a) cease to represent a right or claim of any kind or nature and the right of the former Unitholder to receive Common Shares and/or any cash payments, as the case may be; and (b) be deemed to be surrendered to New Inter Pipeline together with all dividends thereon held for such holder.**

#### **Procedure for Exchange of GP Holdco Preferred Shares**

Upon the Arrangement becoming effective, each registered Preferred Shareholder will be removed from GP Holdco's register and, until validly surrendered, the certificates formerly representing Preferred Shares held by any such Preferred Shareholder shall represent only the right to receive, upon such surrender, a DRS Advice or certificate, as applicable, evidencing the ownership of the Post-Arrangement Shares which such former Preferred Shareholder is entitled to receive pursuant to the Arrangement and dividends accrued to such former Preferred Shareholder in respect of such Post-Arrangement Shares, if any.

Inter Pipeline has sent with this Circular to each registered Preferred Shareholder at the address of such holder as it appears on the register of Preferred Shares on the Record Date, a Letter of Transmittal and instructions for obtaining delivery of a DRS Advice or certificate, as applicable, evidencing the ownership of the Post-Arrangement Shares which such former Preferred Shareholder is entitled to receive pursuant to the Arrangement. New Inter Pipeline will, as soon as practicable following the later of the Effective Date and the delivery to the Depositary for cancellation of certificates representing such holder's Preferred Shares and the Letter of Transmittal, duly completed in accordance with the instructions contained therein, and such other documents as the Depositary may reasonably require, cause the Depositary to deliver to such holder a DRS Advice or certificate, as applicable, evidencing the number of Post-Arrangement Shares which such holder has the right to receive and the certificates so surrendered will forthwith be cancelled. A DRS Advice or certificate, as applicable, representing the Post-Arrangement Shares issued to such holder shall be registered in such name(s) and, delivered to such address as such holder may direct in such Letter of Transmittal, or if requested by the former Preferred Shareholder in the Letter of Transmittal, made available at the Depositary for pick-up by the former Preferred Shareholder, as soon as practicable after receipt by the Depositary of the required documents. A Shareholder can request a physical share certificate representing the Post-Arrangement Shares by completing the information accompanying the DRS Advice. Preferred Shareholders whose Preferred Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to arrange for the exchanges of their Preferred Shares for Post-Arrangement Shares.

If Preferred Shares are transferred after the Record Date and prior to the Effective Time, the transferee of such Preferred Shares may obtain a DRS Advice or certificate, as applicable, evidencing the number of Post-Arrangement Shares it is entitled to receive in exchange for its Preferred Shares pursuant to the Arrangement by duly completing the Letter of Transmittal, in accordance with the instructions contained therein, and by delivering to the Depositary such other documents as the Depositary may reasonably require in order to effect such transfer.

Preferred Shareholders are advised that use of the mail to transmit certificates representing their Preferred Shares and the Letter of Transmittal is at each holder's risk. Inter Pipeline recommends that such certificates and documents be delivered by hand to the Depository and a receipt therefor be obtained or that registered mail be used and that proper insurance be obtained.

All signatures on the Letter of Transmittal and on certificates representing Preferred Shares must be guaranteed by an Eligible Institution, unless otherwise provided.

A registered Preferred Shareholder who has lost or misplaced his, her or its Preferred Share certificate(s) should complete the Letter of Transmittal as fully as possible and forward it, together with an affidavit explaining the loss, to the Depository. The Depository will assist in making arrangements for the necessary documentation (which may include a bonding requirement) for a DRS Advice or certificate, as applicable, to be issued in accordance with the Arrangement.

**Any certificate formerly representing Preferred Shares that is not deposited with all other documents as provided in the Plan of Arrangement on or before the last Business Day before the third anniversary of the Effective Date shall, effective at 5:00 p.m. (Calgary time) on the last Business Day before the third anniversary of the Effective Date: (a) cease to represent a right or claim of any kind or nature and the right of the former Preferred Shareholder to receive Post-Arrangement Shares and/or any cash payments, as the case may be; and (b) be deemed to be surrendered to New Inter Pipeline together with all dividends thereon held for such holder.**

#### **Interests of Certain Persons or Companies in the Arrangement**

As of July 18, 2013, the directors and officers of PMI (also being the proposed directors and officers of Inter Pipeline) and their associates, as a group, beneficially own, directly or indirectly, or exercise control and direction over, an aggregate of 7,600 Class A Units, representing less than 0.01% of the issued and outstanding Class A Units, 6,225,813 of the 7,411,683 GP Holdco Class A Preferred Shares issued and outstanding and 5,926,542 of the 7,055,406 GP Holdco Class B Preferred Shares issued and outstanding. Immediately after giving effect to the Arrangement, including the Preferred Share Exchange, it is anticipated that the current directors and officers of PMI and their associates, as a group, would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 6,233,413 Common Shares, representing approximately 2.2% of the outstanding Common Shares, and 5,926,542 Convertible Shares, or an aggregate of 12,159,955 Common Shares, representing approximately 4.1% of the outstanding Common Shares, assuming the conversion of all of the 7,055,406 Convertible Shares. If the Preferred Share Exchange is not completed as part of the Arrangement, immediately after giving effect to the Arrangement, it is anticipated that the current directors and officers of PMI and their associates, as a group, would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 7,600 Common Shares, representing less than 0.01% of the outstanding Common Shares, 6,225,813 Class A Preferred Shares and 5,926,542 Class B Preferred Shares. See Inter Pipeline's material change report dated June 2, 2013, which is incorporated by reference into and forms an integral part of this Circular, for additional information on the individual holdings of GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares of the directors and officers of PMI.

The completion of the Arrangement will not result in any benefits for, or change of control, termination or other payments being made to, any officers, directors or employees of Inter Pipeline or any of its subsidiaries or of PMI. In connection with the Arrangement, all executive employment agreements will be amended as a result of the Arrangement such that references to Inter Pipeline and PMI will be replaced with references to New Inter Pipeline.

None of the principal holders of Class A Units or any director or officer of PMI, or any associate or affiliate of any of the foregoing persons, has or had any material interest, direct or indirect, in any transaction in the last three years or any proposed transaction that has materially affected, or will materially affect, Inter Pipeline or any of its affiliates, except as disclosed above or elsewhere in this Circular or in the documents incorporated herein by reference.

## **Expenses of the Arrangement**

The estimated costs to be incurred by Inter Pipeline and IPL with respect to the Arrangement and related matters including, without limitation, accounting and legal fees, and the preparation, printing and mailing of this Circular and other related documents and agreements, are expected to aggregate approximately \$2.5 million.

## **Securities Law Matters**

**Unitholders are encouraged to obtain independent legal, tax and investment advice with respect to this Circular, the consequences of the Arrangement and the holding of Class A Units and Common Shares.**

### ***Resale of Securities Issued Under the Arrangement***

All securities to be issued under the Arrangement to the Unitholders and the holders of GP Holdco Preferred Shares, including, without limitation, as applicable, the Common Shares, the Convertible Shares, the Class A Preferred Shares and the Class B Preferred Shares, will be issued in reliance on exemptions from prospectus and registration requirements of applicable Canadian securities laws and, following completion of the Arrangement, the Common Shares and the Convertible Shares, and, if applicable, the Class A Preferred Shares and the Class B Preferred Shares, will generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable Canadian securities laws of the provinces of Canada.

### ***MI 61-101***

Inter Pipeline is a reporting issuer (or its equivalent) in all provinces and territories of Canada and accordingly is subject to the applicable Canadian securities laws of such provinces and territories that have adopted MI 61-101, including Ontario and Quebec.

MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 generally apply to "business combinations" which terminate the interests of securityholders without their consent.

The Arrangement, if it includes the Preferred Share Exchange, may be considered a "business combination" under MI 61-101 because the issue of Common Shares and Convertible Shares in exchange for GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares, respectively, held by directors and senior officers of PMI pursuant to the Preferred Share Exchange described under the heading "*Interests of Certain Persons or Companies in the Arrangement*" may be considered a "connected transaction" for the purposes of MI 61-101.

Inter Pipeline is not required to obtain a formal valuation under MI 61-101 as no "interested party" of Inter Pipeline is, as a consequence of the Arrangement, directly or indirectly, acquiring Inter Pipeline or its business and the Preferred Share Exchange is not a "related party transaction" for which Inter Pipeline would be required to obtain a formal valuation under MI 61-101.

If the Arrangement, including the Preferred Share Exchange, constitutes a "business combination", MI 61-101 requires that the Arrangement Resolution be approved by a majority of the minority of Unitholders. As each of Messrs. Chris Bayle, John Driscoll, David Fesyk and Jeff Marchant are current directors and/or senior officers of PMI and Mr. Jeffery Errico was a director of PMI at the time of the issuance of the Preferred Shares, and such persons may be considered to be party to a "connected transaction", Inter Pipeline has determined to exclude all of the votes attaching to Class A Units owned by these persons and their related parties or joint actors (as such terms are defined in MI 61-101) for the purpose of determining whether "majority of the minority" approval for the Arrangement (if it includes the Preferred Share Exchange) has been obtained.

To the knowledge of PMI and its directors and senior officers, after reasonable inquiry, as at July 18, 2013, such persons and related parties and joint actors hold, or exercise control or direction over, directly or indirectly, 157,600

Class A Units (150,000 held by Mr. Errico and 7,600 held by associates of Mr. Driscoll), representing less than 0.01% of the outstanding Class A Units.

The affirmative vote of not less than 66⅔% of the votes cast by Unitholders at the Meeting in person or by proxy will satisfy the requirement to obtain approval of the Arrangement Resolution by not less than 66⅔% of the votes cast by Unitholders present in person or by proxy at the Meeting as well as the requirement to obtain approval by a majority of the minority of Unitholders since the approval of not less than 66⅔% of all Unitholders will represent the approval of more than 50% of the minority.

In addition, MI 61-101 requires Inter Pipeline to disclose any "prior valuations" (as defined in MI 61-101) of Inter Pipeline or its material assets or securities made within the 24-month period preceding the date of this Information Circular. After reasonable inquiry, neither PMI nor Inter Pipeline nor any director or senior officer of PMI has knowledge of any such "prior valuation".

Except as described above, there are no other outstanding securities of Inter Pipeline beneficially owned or over which control or direction is exercised (a) by any director or officer of PMI, and (b) after reasonable enquiry, by (i) any associate or affiliate of an insider of Inter Pipeline, (ii) any associate or affiliate of Inter Pipeline, (iii) any insider of Inter Pipeline, other than a director or officer of Inter Pipeline, and (iv) any person acting jointly or in concert with Inter Pipeline. In addition, certain directors and officers of PMI hold GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares. See "*Interests of Certain Persons in the Arrangement*".

### **Judicial Developments**

The Plan of Arrangement will be implemented pursuant to Section 193 of the ABCA which provides that, where it is impractical for a corporation to effect an arrangement under any other provisions of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by Inter Pipeline, PMI and IPL for approval of the Arrangement. See "*The Arrangement – Approvals – Court Approvals – Final Order*". Although there have been a number of judicial decisions considering this section and applications to various arrangements, there have not been, to the knowledge of Inter Pipeline, any recent significant decisions which would apply in this instance with the exception of (i) the decision of the Court *In the Matter of a Proposed Arrangement Involving Enbridge Income Fund Holdings Inc., Enbridge Management Services Inc., Enbridge Income Fund, the Holders of Units of Enbridge Income Fund, Enbridge Commercial Trust and Enbridge Inc.*, in which the Court confirmed, in interpreting the arrangement provisions of the ABCA, that courts could avail themselves of the flexibility of the arrangement provisions of the ABCA in the circumstances confronted by various stakeholders in income trusts as a result of changes to the SIFT Rules, and (ii) the decision of the Ontario Superior Court of Justice *In the Matter of a Proposed Arrangement Involving Acadian Timber Income Fund, AT Trust, Acadian Timber Limited Partnership, CellFor Inc., 7273126 Canada Inc., 7273177 Canada Inc., the Unitholders of Acadian Timber Income Fund, the Noteholders of CellFor Inc. and the Shareholders of CellFor Inc.*, in which the court confirmed, in interpreting the arrangement provisions of the CBCA, that the arrangement provisions of the CBCA (which are similar to the arrangement provisions of the ABCA) are intended to be flexible and facilitative and are not to be construed narrowly and should be available to entities converting to a corporate structure in response to the exceptional situation presented by the enactment of the SIFT Rules.

**Unitholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

### **Experts**

Certain legal matters relating to the Arrangement are to be passed upon by Burnet, Duckworth & Palmer LLP (Canadian securities and tax counsel), on behalf of Inter Pipeline, PMI and IPL. As at July 18, 2013, it is anticipated that the partners and associates of Burnet, Duckworth & Palmer LLP will hold less than 1% of the outstanding Common Shares upon completion of the Arrangement based on their current ownership of Class A Units.

None of the aforementioned partners and associates, nor any employee of Burnet, Duckworth & Palmer LLP is or is expected to be elected, appointed or employed as a director, officer or employee of IPL or of any associate or affiliate of IPL.

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

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to Inter Pipeline and IPL ("**Counsel**"), the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations under the Tax Act relating to the Arrangement generally applicable to Unitholders who, for the purposes of the Tax Act and at all relevant times, (i) are resident or deemed to be resident in Canada, (ii) hold their Class A Units, and will hold their Common Shares received pursuant to the Arrangement, as capital property, and (iii) deal at arm's length with and are not affiliated with Inter Pipeline or PMI. Class A Units and Common Shares will generally constitute capital property to a Unitholder provided that the Unitholder does not hold or use such Class A Units or Common Shares in the course of carrying on a business of trading or dealing in securities, and the Unitholder did not acquire such Class A Units or Common Shares in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Unitholder: (i) that is a "financial institution" within the meaning of section 142.2 of the Tax Act; (ii) that is a "specified financial institution" within the meaning of the Tax Act; (iii) an interest in which is a "tax shelter investment" for the purposes of the Tax Act; (iv) whose "elected functional currency" (as defined in the Tax Act) is the currency of a country other than Canada; or (v) that has entered into a "derivative forward agreement" in respect of the Class A Units, as that term is defined in the Proposed Amendments (defined below). All such Unitholders should consult their own tax advisors.

This summary is based upon the facts set out in this Circular, the provisions of the Tax Act in force as of the date hereof, existing case law, Counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing as of the date hereof, and all specific proposals ("**Proposed Amendments**") to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof. No assurance can be given that the Proposed Amendments will be enacted as currently proposed, or at all. This summary is also based on the understanding that Class A Units cannot be held by "non-residents" of Canada or by partnerships which are not "Canadian partnerships", each for the purposes of the Tax Act.

This summary, except for the Proposed Amendments, does not take into account, or anticipate any changes in law, whether by legislative, regulatory or judicial action and does not take into account any provincial, territorial or foreign tax consequences which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations. This summary is not intended to be, and should not be construed as legal or tax advice or representations to any particular Unitholder. Accordingly, Unitholders should consult their own tax advisors with respect to the income tax consequences of the Arrangement having regard to their own particular circumstances.**

#### **Exchange of Class A Units for Common Shares**

Unless a Unitholder completes, and files, a valid Tax Election (as described below in "*Where a Section 85 Election is Made*"), the exchange of Class A Units for Common Shares pursuant to the Arrangement will generally create a capital gain (or loss) for tax purposes equal to the amount by which the fair market value of the Common Shares received by a Unitholder exceeds (or is exceeded by) the aggregate adjusted cost base of the Class A Units exchanged therefor and any reasonable costs of disposition. The tax considerations applicable to a capital gain (or loss) are described below. See "*Taxation of Capital Gains and Capital Losses*". Such Unitholder will acquire the Common Shares at a cost equal to their fair market value at that time.

***Where a Section 85 Election is Made***

A Unitholder will be given the option of electing to have the provisions of subsection 85(1) or 85(2) of the Tax Act apply to their disposition of Class A Units by filing with the CRA (and, where applicable, with a provincial tax authority) an election (the "**Tax Election**") under subsection 85(1) of the Tax Act (Form T2057) or, in the case of a partnership, under subsection 85(2) of the Tax Act (Form T2058) (and the corresponding provisions of any applicable provincial tax legislation) made jointly by the Unitholder and IPL.

The amount specified in the Tax Election as the proceeds of disposition of the Unitholder's Class A Units must be an amount (the "**Elected Amount**") which is not less than the lesser of (i) the adjusted cost base to the Unitholder of such Class A Units and (ii) the fair market value of such Class A Units at the time of disposition. The Elected Amount may not be greater than the fair market value of such Class A Units at the time of the disposition. An Elected Amount which does not comply with these limitations will automatically be adjusted under the Tax Act so that it is in compliance with the foregoing limits.

*Where a valid Tax Election is filed:*

- (a) Class A Units that are the subject of the Tax Election will be deemed to be disposed of for proceeds of disposition equal to the Elected Amount. If the Elected Amount is equal to the Unitholder's aggregate adjusted cost base of the Class A Units and any reasonable costs of disposition, then no capital gain (or capital loss) will be realized by the Unitholder. To the extent that the Unitholder selects an Elected Amount that exceeds the Unitholder's aggregate adjusted cost base and any reasonable costs of disposition, such Unitholder will realize a capital gain. See "*Taxation of Capital Gains and Capital Losses*" below.
- (b) The aggregate cost to the Unitholder of Common Shares received, if any, will be equal to the lesser of: (i) the fair market value of such Common Shares, and (ii) the Elected Amount.

The Tax Election must be made jointly by IPL and a Unitholder. IPL will make the Tax Election only if IPL receives a validly completed election form executed by a Unitholder on or before the 90th day following the Effective Date at the following address:

2600, 237 – 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 4K3

Attention: Tax Election Processing

In order to make the Tax Election, Unitholders must ensure they validly complete the proper election form and deliver it to the noted address so that it is received within 90 days of the Effective Date. Inter Pipeline intends to provide to Unitholders on or about the Effective Date instructions and all forms (both federal and provincial) that may be required to make the Tax Election on Inter Pipeline's main website at [www.interpipelinefund.com](http://www.interpipelinefund.com).

Tax Election forms received by IPL within 90 days of the Effective Date will be signed by IPL and filed with the CRA (or the applicable provincial taxing authority). In its sole discretion, IPL may choose to sign and file an election form received later than 90 days after Effective Date, but IPL will have no obligation to do so.

A Tax Election will be valid only if it meets all applicable requirements under the Tax Act, and meeting these requirements will be the sole responsibility of the Unitholder. Unitholders are referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for further information respecting the election. A Unitholder who does not make a valid election under section 85 of the Tax Act may realize a taxable capital gain. The comments herein with respect to such elections are provided for general assistance only. The law in this area is complex and contains numerous technical requirements. Unitholders wishing to make the election should consult their own tax advisors.

**Compliance with the requirements for a valid election, and for providing it to Inter Pipeline within the required time, will be the sole responsibility of the Unitholder making the election. Accordingly, IPL will not be responsible or liable for taxes, interest, penalties (including any late filing penalty), damages or expenses resulting from the failure by anyone to provide information necessary for the election, to properly complete any election or to properly deliver it to IPL on a timely basis and in the form prescribed under the Tax Act (or the corresponding provisions of any applicable provincial tax legislation).**

In order for the CRA (and where applicable, the provincial revenue authorities), to accept a tax election without a late filing penalty being paid by a Unitholder, the election must be received by such revenue authorities on or before the day that is the earliest of the day on or before which either IPL or the Unitholder is required to file an income tax return for the taxation year in which the disposition occurs. IPL is expected to have a year-end for taxation purposes on the Effective Date, and its tax return is required to be filed within six months from the end of that taxation year. Unitholders are urged to consult their own advisors as soon as possible respecting the deadlines applicable to their own particular circumstances. However, regardless of such deadlines, Unitholders must ensure they complete their election and deliver it to IPL at the noted address so that IPL receives it within 90 days of the Effective Time.

### ***Amalgamation***

Following the exchange of Class A Units for Common Shares, IPL will amalgamate with certain other entities. A former Unitholder (and now Shareholder) will not recognize a capital gain or capital loss as a result of the Amalgamation. The Shareholder will be considered to have disposed of the Common Shares for proceeds of disposition equal to the aggregate adjusted cost base of the Common Shares to the Shareholder immediately before the Amalgamation and to have acquired the Common Shares of New Inter Pipeline at an aggregate cost equal to those proceeds of disposition.

### **Dividends on Common Shares**

In the case of a Shareholder who is an individual (other than certain trusts), dividends received or deemed to be received on the Common Shares will be included in computing the Shareholder's income, and will be subject to the normal gross-up and dividend tax credit rules applicable to dividends paid by taxable Canadian corporations under the Tax Act, including the enhanced gross-up and dividend tax credit applicable to any dividend designated as an "eligible dividend" in accordance with the provisions of the Tax Act.

Dividends received or deemed to be received on the Common Shares by a Shareholder that is a corporation will generally be included in the Shareholder's gross income for the taxation year in which such dividends are received and will generally be deductible in computing the taxable income of the Shareholder corporation. A Shareholder that is a "private corporation" (as defined in the Tax Act) or any other corporation controlled, whether because 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), may be liable to pay a refundable tax of 33 $\frac{1}{3}$  % under Part IV of the Tax Act on dividends received (or deemed to be received) on the Common Shares to the extent such dividends are deductible in computing taxable income for the year.

### **Dispositions of Common Shares**

A disposition or deemed disposition of a Common Share by a Shareholder (other than in a tax-deferred transaction or a disposition to New Inter Pipeline) will generally result in the Shareholder realizing a capital gain (or a capital loss) in the year of disposition equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Shareholder's adjusted cost base thereof and any reasonable costs of disposition. The adjusted cost base of a Common Share to a Shareholder will generally be the average of the cost of all Common Shares held at that time by such Shareholder as capital property. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

## **Taxation of Capital Gains and Capital Losses**

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Unitholder in a taxation year must be included in the Unitholder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Unitholder in a taxation year must be deducted from taxable capital gains realized by the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may, generally, be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Shareholder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by the Shareholder corporation on such Common Shares (or on shares for which the Common Shares have been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares. Shareholders to whom these rules may be relevant should consult their own tax advisors.

A Shareholder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a refundable tax of 6⅓% on certain investment income, including taxable capital gains.

### **Alternative Minimum Tax**

In the case of a Unitholder that is an individual or in the case of certain trusts, the taxable capital gains, if any, realized as a result of the disposition of Common Shares and dividends received on the Common Shares, if any may increase such person's liability for alternative minimum tax depending on their particular circumstances. Unitholders to whom alternative minimum tax rules may be relevant should consult their own tax advisors.

### **Eligibility for Investment**

Subject to the provisions of a particular plan, provided that the Common Shares are listed on a "designated stock exchange" (as defined in the Tax Act), which includes the TSX, or that IPL continues to qualify as a "public corporation" for the purposes of the Tax Act, the Common Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSP**"), registered retirement income funds ("**RRIF**"), deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (a "**TFSA**"), each as defined in the Tax Act.

Pursuant to Proposed Amendments released on December 21, 2012 (the "**December 2012 Proposals**") the Common Shares will generally not be a "prohibited investment" provided the annuitant under the RRSP or RRIF, or the holder of the TFSA, as the case may be, deals at arm's length with IPL for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in IPL. Prospective investors who intend to hold Common Shares in their RRSP, RRIF or TFSA should consult their own tax advisors regarding whether the Common Shares will be a prohibited investment in their particular circumstances, including with respect to the December 2012 Proposals.

## **INFORMATION CONCERNING INTER PIPELINE FUND**

### **Documents Incorporated by Reference**

**Information in respect of Inter Pipeline is incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the President and Chief Executive Officer of PMI at Suite 2600, 237 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2P 4K3, telephone (403) 290-6092, and are also available electronically at [www.sedar.com](http://www.sedar.com).



The following documents of Inter Pipeline have been filed with the securities commission or similar authority in each of the provinces of Canada and are specifically incorporated by reference into and form an integral part of this Circular:

- (a) the Annual Information Form of Inter Pipeline dated February 21, 2013 for the year ended December 31, 2012;
- (b) the audited consolidated financial statements of Inter Pipeline as at and for the years ended December 31, 2012 and 2011, together with the notes thereto and the auditors' report thereon;
- (c) the management's discussion and analysis of Inter Pipeline's operating results for the years ended December 31, 2012 and 2011;
- (d) the unaudited interim consolidated financial statements of Inter Pipeline as at and for the three month periods ended March 31, 2013 and 2012, together with the notes thereto;
- (e) the management's discussion and analysis of Inter Pipeline's operating results for the three month periods ended March 31, 2013 and 2012; and
- (f) the material change report of Inter Pipeline dated June 2, 2013 relating to the Internalization Transactions and filed on June 3, 2013.

**Any documents of the type described in Section 11.1(1) of Form 44-101F1- Short Form Prospectus, if filed by Inter Pipeline with the securities commission or similar regulatory authority in each of the provinces of Canada subsequent to the date of this Circular and prior to the Effective Time shall be deemed to be incorporated by reference in this Circular.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Circular, to the extent that a statement contained in this Circular or any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set out 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 Circular.**

#### **Price Range and Trading Volume**

The Class A Units are listed and posted for trading on the TSX under the symbol IPL.UN.

	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2013</b>			
January	23.86	23.01	6,054,500
February	23.34	22.00	8,978,846
March	23.96	22.71	4,788,107
April	24.47	23.32	6,562,151
May	24.40	22.76	5,312,752
June	24.16	18.80	9,666,569
July (1-18)	23.67	21.69	3,788,811

#### **Prior Sales**

Except for Class A Units issued pursuant to the DRIP, no Class A Units or securities convertible into Class A Units have been issued by Inter Pipeline during the 12 month period preceding the date of this Circular.

## **Legal Proceedings and Regulatory Actions**

There are no legal proceedings to which Inter Pipeline is a party to or of which any of its property is or was the subject of, nor are there any proceedings known by Inter Pipeline to be contemplated that involves a claim for damages, exclusive of interest and costs, exceeding 10% of Inter Pipeline's current assets.

### **INFORMATION CONCERNING INTER PIPELINE LTD.**

New Inter Pipeline will be formed under the ABCA pursuant to the Amalgamation and will be the corporate successor of Inter Pipeline. IPL was incorporated on January 29, 2013 as "1726761 Alberta Ltd." pursuant to the provisions of the ABCA as a wholly-owned subsidiary of the Trust for the sole purpose of participating in the Arrangement and entering into certain agreements in connection with the Internalization Transactions. On May 31, 2013, IPL filed articles of amendment to change its name to Inter Pipeline Ltd. IPL has not carried on any business or conducted operations since its incorporation other than entering into the Arrangement Agreement and entering into certain agreements in connection with the Internalization Transactions. The Trust is the sole shareholder of IPL and owns one Common Share which will be repurchased and cancelled pursuant to the Arrangement. The registered office of IPL is located at 2400, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1 and its principal place of business is Suite 2600, 237 – 4th Avenue S.W., Calgary, Alberta, Canada, T2P 4K3.

**As part of the Arrangement, each outstanding Class A Unit will be transferred to IPL in exchange for one Common Share and IPL will amalgamate with the other Amalgamating Corporations to form New Inter Pipeline. Upon completion of the Arrangement, New Inter Pipeline will carry on the business currently carried on by Inter Pipeline and Unitholders and, if the Preferred Share Exchange is approved, holders of GP Holdco Class A Preferred Shares, will hold all of the issued and outstanding Common Shares of New Inter Pipeline.**

**Upon completion of the Arrangement, New Inter Pipeline will become a reporting issuer in each of the provinces of Canada and be subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.**

Reference is made to Appendix "D" – *Information Concerning Inter Pipeline Ltd.* for a more detailed description of IPL and New Inter Pipeline.

### **RISK FACTORS**

An investment in the Class A Units and in the Common Shares is subject to certain risks. Potential Shareholders should consider carefully the risk factors set forth below as well as elsewhere in this Circular and in the documents incorporated by reference in this Circular before making an investment decision relating to the Common Shares, including any decision with respect to the Arrangement.

#### **Risk Factors Relating to Inter Pipeline**

The risk factors relating to the businesses of Inter Pipeline and the industries in which it operates will generally continue to be relevant to New Inter Pipeline following the Effective Date and to Shareholders and will not be affected by the Arrangement. For a description of these risk factors, see "*Risks*" in the MD&A, which is incorporated by reference in this Circular.

#### **Risk Factors Relating to the Arrangement**

##### ***Conditions Precedent and Required Regulatory and Third Party Approvals***

The completion of the Arrangement in the form contemplated by the Plan of Arrangement is subject to a number of conditions precedent, some of which are outside the control of Inter Pipeline including, without limitation, receipt of Unitholder approval at the Meeting, regulatory approvals (including approval of the TSX for the listing of the

Common Shares) and approval from the Court. There can be no certainty, nor can Inter Pipeline provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

Failure to obtain the Final Order on terms acceptable to the Board of Directors would likely result in the decision being made not to proceed with the Arrangement. If any of the required regulatory or third party approvals cannot be obtained on terms satisfactory to the Board of Directors or at all, the Plan of Arrangement may have to be amended in order to mitigate the negative consequence of the failure to obtain any such approval, and accordingly, the benefits available to Unitholders resulting from the Arrangement may be reduced. Alternatively, if the Plan of Arrangement cannot be amended so as to mitigate the negative consequences of the failure to obtain a required regulatory or third party approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the Class A Units may be adversely affected.

### ***Dilution of New Inter Pipeline Shareholders***

Just as Inter Pipeline can issue an unlimited number of Class A Units, New Inter Pipeline will be authorized to issue an unlimited number of Common Shares.

### ***Failure to Realize the Anticipated Benefits from the Arrangement***

Inter Pipeline and IPL are proposing to complete the Arrangement to create the opportunity to realize certain benefits including, among others, those set forth in this Circular under the heading "*The Arrangement – Benefits of the Arrangement*". Achieving the anticipated benefits depends in part on the ability of Inter Pipeline and New Inter Pipeline to realize the anticipated growth opportunities arising from the Arrangement. A variety of factors, including those set forth in or incorporated by reference in this Circular, may adversely affect the ability to achieve the anticipated benefits of the Arrangement.

### ***Additional Risks if Preferred Share Exchange is not Completed as Part of the Arrangement***

If approved, pursuant to the Arrangement and the Preferred Share Exchange, the holders of GP Holdco Class A Preferred Shares will receive one Common Share in exchange for each GP Holdco Class A Preferred Share held and the holders of GP Holdco Class B Preferred Shares will receive one Convertible Share in exchange for each GP Holdco Class B Preferred Share held. If the Arrangement is approved and completed and the Preferred Share Exchange is not approved at the Meeting, each outstanding GP Holdco Class A Preferred Share will be converted into one Class A Preferred Share and each outstanding GP Holdco Class B Preferred Share will be converted into one Class B Preferred Share pursuant to the Arrangement. The Class A Preferred Shares and the Class B Preferred Shares will have substantially the same rights and privileges as the GP Holdco Class A Preferred Share and the GP Holdco Class B Preferred Shares, respectively, including the right of the holders thereof to require New Inter Pipeline to redeem or Putco to purchase such shares for cash in certain events. Based on the closing price of the Class A Units on the TSX on July 18, 2013 of \$22.69 per unit, the aggregate cash redemption or purchase price for the GP Holdco Preferred Shares would be up to approximately \$328.3 million.

### **Risk Factors Relating to the Activities of New Inter Pipeline and the Ownership of Common Shares**

The following is a list of certain risk factors relating to the activities of New Inter Pipeline, its subsidiaries and operating entities and the ownership of Common Shares following the Effective Date:

- the uncertainty of future dividend payments by New Inter Pipeline and the level thereof as New Inter Pipeline's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by New Inter Pipeline, its subsidiaries and operating entities, the execution of its growth strategy, financial requirements for New Inter Pipeline's operations and limitations under its credit facilities as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends;

- the unavailability of external sources of capital, including debt financing and equity financing, could impair New Inter Pipeline's ability to make the necessary capital investments to expand its asset base and operations;
- New Inter Pipeline's activities will be subject to complex and stringent laws and regulations. Existing laws and regulations may be revised or new laws and regulations may become applicable to New Inter Pipeline, and each may have a negative effect on New Inter Pipeline's businesses and results of operations;
- New Inter Pipeline will compete directly with other companies that may have greater resources and access to capital. Competition could adversely affect New Inter Pipeline's performance;
- compliance with federal and provincial environmental legislation can require significant expenditures and a breach of such legislation may result in suspension or revocation of necessary licenses and authorizations, civil liability for personal injury or environmental damage and the imposition of fines and penalties;
- the level of New Inter Pipeline's consolidated indebtedness from time to time could impair New Inter Pipeline's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise;
- New Inter Pipeline may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of New Inter Pipeline which may be dilutive;
- the inability of New Inter Pipeline to manage growth effectively could have a material adverse impact on its business, operations and prospects; and
- directors of New Inter Pipeline may be engaged in business interests on their own behalf and on behalf of other companies and may face situations where they are in direct competition with New Inter Pipeline and conflicts of interest may arise.

**In addition, for a description of risk factors in respect of the structure of Inter Pipeline, see "Risks" in the MD&A, which is incorporated by reference in this Circular. Unitholders should carefully consider all risk factors set out in this Circular and in the MD&A.**

**Unitholders are encouraged to obtain independent legal, tax and investment advice with respect to this Circular, the consequences of the Arrangement and the holding of Class A Units and Common Shares.**

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Circular, including the documents incorporated by reference in this Circular, to the knowledge of the directors and officers of PMI, no "informed person" (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), or any of its associates or affiliates, has had any material interest, direct or indirect, in any transaction of Inter Pipeline since January 1, 2012 or in any proposed transaction which has materially affected or would materially affect Inter Pipeline or any of its subsidiaries.

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

##### **Auditors**

The auditors of Inter Pipeline and IPL are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta.

##### **Transfer Agent and Registrar**

The transfer agent and registrar for the Class A Units is Computershare at its principal offices in Calgary, Alberta and Toronto, Ontario. Following the completion of the Arrangement, the transfer agent and registrar for the Common Shares will be Computershare at its principal offices in Calgary, Alberta and Toronto, Ontario.

**ADDITIONAL INFORMATION**

Additional information about Inter Pipeline is available on Inter Pipeline's website at [www.interpipelinefund.com](http://www.interpipelinefund.com) or under Inter Pipeline's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information relating to Inter Pipeline is provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2012.

Any person or company may request a copy of Inter Pipeline's consolidated financial statements and management's discussion and analysis by contacting Inter Pipeline at:

Inter Pipeline Fund  
Suite 2600, 237 – 4th Avenue S.W.  
Calgary, Alberta, Canada, T2P 4K3

Attention: Investor Relations

Telephone: (403) 290-6015  
Fax: (403) 290-6092  
Email: [jroberge@interpipelinefund.com](mailto:jroberge@interpipelinefund.com)



**APPENDIX A**  
**ARRANGEMENT AGREEMENT**





## ARRANGEMENT AGREEMENT

**THIS ARRANGEMENT AGREEMENT** is made as of July 23, 2013.

### **AMONG:**

**INTER PIPELINE FUND**, a limited partnership formed under the laws of the Province of Alberta ("**Inter Pipeline**")

- and -

**PIPELINE MANAGEMENT INC.**, a corporation incorporated under the laws of the Province of Alberta ("**PMI**")

- and -

**INTER PIPELINE GP HOLDING TRUST**, a trust formed under the laws of the Province of Alberta (the "**Trust**")

- and -

**INTER PIPELINE LIMITED**, a corporation incorporated under the laws of the Province of Alberta ("**IPL**")

(Inter Pipeline, PMI, the Trust and IPL are collectively, the "**Inter Pipeline Entities**")

**WHEREAS** the parties wish to propose an arrangement involving, the Inter Pipeline Entities, New Inter Pipeline, GP Holdco, Putco, the Unitholders, the holders of the GP Holdco Class A Preferred Shares, the holders of the GP Holdco Class B Preferred Shares, the holders of Medium Term Notes and the holders of DURs in order to reorganize the affairs of Inter Pipeline and carry out certain transactions on the basis hereinafter set forth;

**AND WHEREAS** the parties intend to carry out the transactions contemplated herein pursuant to a statutory plan of arrangement under the ABCA;

**AND WHEREAS** the parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement;

**NOW THEREFORE IN CONSIDERATION** of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

### **ARTICLE 1 INTERPRETATION**

#### **1.1 Definitions**

All capitalized terms which are used in this Arrangement Agreement (including the recitals hereto) and not otherwise defined herein shall have the meanings given to such terms in the Plan of Arrangement attached hereto as Schedule 1, as amended or supplemented from time to time in accordance with the terms thereof.

## 1.2 General

- (a) All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.
- (b) The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (c) Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.
- (d) Schedules 1 and 2 hereto are incorporated into and form an integral part of this Agreement.
- (e) Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa and words importing any gender shall include all genders.
- (f) This Agreement, together with Schedule 1 and 2 hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof. This Agreement is not intended to confer upon any other Person any rights or remedies hereunder.
- (g) This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

## ARTICLE 2 THE ARRANGEMENT

### 2.1 Arrangement

As soon as reasonably practicable, Inter Pipeline, PMI, and IPL shall apply to the Court pursuant to section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under section 193 of the ABCA, providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if deemed advisable, approving the extraordinary resolution with respect to the Arrangement (the "**Arrangement Resolution**") and the ordinary resolution with respect to the Preferred Share Exchange (the "**Preferred Share Exchange Resolution**");
- (b) subject to obtaining all necessary approvals of the Unitholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take the steps necessary to submit the Arrangement to the Court and apply for the Final Order; and
- (c) subject to fulfillment of the conditions precedent set forth herein, deliver to the Registrar Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have

occurred in the order and at the times set out in the Plan of Arrangement without any further act or formality.

### **ARTICLE 3 COVENANTS**

#### **3.1 Covenants of Inter Pipeline and PMI**

Each of Inter Pipeline and PMI covenants and agrees that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with each other and IPL, for the Interim Order;
- (d) in the case of PMI, on behalf of Inter Pipeline, solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and the Preferred Share Exchange Resolution and prepare, in consultation and cooperation with the other Inter Pipeline Entities, the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order, the Partnership Agreement and applicable corporate and securities laws, and file and distribute the same to the Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;
- (e) in the case of Inter Pipeline, convene the Meeting as ordered by the Interim Order and conduct the Meeting in accordance with the Interim Order and as otherwise required by law;
- (f) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;
- (g) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with IPL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (h) upon issuance of the Final Order and subject to the conditions precedent in Article 4, file the Articles of Arrangement, the Final Order and all related documents with the Registrar on or before the Effective Date;
- (i) carry out the terms of the Final Order to the extent applicable to it;
- (j) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, except in the ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement, in either case without the prior consent in writing of IPL and the Trust, not to be unreasonably withheld;
- (k) until the Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents as the same exist at the

date of this Agreement without the prior consent in writing of IPL and the Trust, not to be unreasonably withheld;

- (l) in the case of Inter Pipeline, prior to the Effective Date, make application to list on the TSX:
  - (i) the Common Shares issuable by New Inter Pipeline pursuant to the Arrangement and the Preferred Share Exchange;
  - (ii) the Common Shares to be reserved and authorized for issuance under the Amended DRIP pursuant to Subsection 3.2(1); and
  - (iii) the Common Shares to be reserved and authorized for issuance upon conversion of the Convertible Shares in accordance with their terms;

### **3.2 Covenants of IPL**

IPL covenants and agrees that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with Inter Pipeline and PMI, for the Interim Order;
- (d) until the Effective Date, other than as contemplated herein, in the Plan of Arrangement or in the Information Circular, not carry on any business, enter into any transaction or effect any corporate act whatsoever without the prior consent in writing of PMI on behalf of Inter Pipeline;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with Inter Pipeline and PMI, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (g) upon issuance of the Final Order and subject to the conditions precedent in Article 4, file the Articles of Arrangement, the Final Order and all related documents with the Registrar on or before the Effective Date;
- (h) carry out the terms of the Final Order to the extent applicable to it;
- (i) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, except in the ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement, in either case without the prior consent in writing of Inter Pipeline and the Trust, not to be unreasonably withheld;
- (j) until the Effective Date, except as specifically provided for hereunder or in the Plan of Arrangement, not alter or amend its articles or by-laws as the same exist at the date of this

Agreement without the prior consent in writing of Inter Pipeline and the Trust, not to be unreasonably withheld;

- (k) prior to the Effective Date, cooperate with Inter Pipeline in making the application to list on the TSX:
  - (i) the Common Shares issuable by New Inter Pipeline pursuant to the Arrangement and the Preferred Share Exchange;
  - (ii) the Common Shares to be reserved and authorized for issuance under the Amended DRIP pursuant to Subsection 3.2(1); and
  - (iii) the Common Shares to be reserved and authorized for issuance upon conversion of the Convertible Shares in accordance with their terms;
- (l) reserve and authorize for issuance the Common Shares issuable pursuant to:
  - (i) the Arrangement and the Preferred Share Exchange;
  - (ii) the Amended DRIP of that number of Common Shares to be determined by the Board of Directors; and
  - (iii) the Common Shares to be reserved and authorized for issuance upon conversion of the Convertible Shares in accordance with their terms; and
- (m) on the Effective Date, in accordance with the Arrangement, issue the Common Shares in exchange for the Class A Units and , if the Preferred Share Exchange Approval is received issue the Common Shares in exchange for GP Holdco Class A Preferred Shares and Convertible Shares in exchange for GP Holdco Class B Preferred Shares.

### **3.3 Covenants of the Trust**

The Trust covenants and agrees that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date; and
- (d) carry out the terms of the Final Order to the extent applicable to it.

### **3.4 Amendments to the Partnership Agreement**

The parties hereto agree that pursuant to the Arrangement, the Partnership Agreement shall be amended in a manner satisfactory to the Inter Pipeline Entities, acting reasonably, as necessary to facilitate the Arrangement.

**ARTICLE 4**  
**CONDITIONS PRECEDENT**

**4.1 Mutual Conditions Precedent**

The respective obligations of Inter Pipeline Entities to complete the transactions contemplated by this Agreement shall be subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- (a) the Interim Order shall have been granted in form and substance satisfactory to Inter Pipeline Entities, acting reasonably, not later than July 31, 2013 or such later date as the parties hereto may agree and shall not have been set aside, amended or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved at the Meeting by the Unitholders in accordance with the provisions of the Interim Order, the Partnership Agreement and any applicable regulatory requirements;
- (c) the Required Shareholders, as defined in the Support Agreement, shall have signed and delivered and not withheld consents substantially in the form of Schedule 2 hereto;
- (d) the Final Order shall have been granted in form and substance satisfactory to Inter Pipeline Entities, acting reasonably, not later than September 30, 2013 or such later date as the parties may agree;
- (e) the Arrangement shall have become effective on or before October 31, 2013 or such later date as the parties may agree;
- (f) the Articles of Arrangement and all necessary related documents filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of the Inter Pipeline Entities, acting reasonably, and shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(10) of the ABCA;
- (g) there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order, which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, and there shall not be in force any order or decree of any such entity that:
  - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
  - (ii) results in any judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (h) all necessary material third party and regulatory consents, approvals and authorizations with respect to the transactions contemplated hereby, if any, shall have been completed or obtained; and

- (i) the approval of the TSX to the conditional listing of the Common Shares issuable by New Inter Pipeline pursuant to the Arrangement shall have been obtained, subject only to the filing with the TSX of required documents.

#### **4.2 Additional Conditions to Obligations of Inter Pipeline and PMI**

In addition to the conditions contained in Section 4.1, the obligation of Inter Pipeline and PMI to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of IPL and the Trust to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with; and
- (b) the Board of Directors, on behalf of Inter Pipeline, shall not have determined in its sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of Inter Pipeline.

#### **4.3 Additional Conditions to Obligations of IPL and the Trust**

In addition to the conditions contained in Section 4.1, the obligation of IPL and the Trust to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of the following conditions, any of which may be waived by IPL or the Trust without prejudice to its right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of Inter Pipeline and PMI to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with;
- (b) the Board of Directors of PMI shall not have modified or amended, in any respect, their affirmative recommendation that the Unitholders vote in favour of the Arrangement Resolution; and
- (c) prior to the Effective Date, there shall have been no material adverse change in the affairs, operations, financial condition or business of Inter Pipeline (on a consolidated basis) from that reflected in the Information Circular.

#### **4.4 Notice and Effect of Failure to Comply with Conditions**

If any of the conditions precedent set forth in Sections 4.1, 4.2 or 4.3 hereof shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies it may have at law or equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants or other matters which the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent and the parties in breach shall have failed to cure such breach within five (5) Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

#### **4.5 Satisfaction of Conditions**

The conditions set out in this Article 4 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement, the Final Order and such other documents as are required are filed with the Registrar under the ABCA to give effect to the Arrangement.

### **ARTICLE 5 AMENDMENT AND TERMINATION**

#### **5.1 Amendments**

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the parties hereto;
- (b) waive any inaccuracies or modify any representation contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants or conditions herein contained and waive or modify performance of any of the obligations of the parties hereto;
- (d) provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court before approval of the final Order and is subject to such requirements as may be ordered by the Court.

#### **5.2 Termination**

This Agreement shall be terminated in each of the following circumstances:

- (a) if the Arrangement shall not have become effective on or before October 31, 2013 or such later date as may be agreed to in writing by the parties hereto;
- (b) by agreement to terminate if executed and delivered by all parties; or
- (c) upon any other circumstances hereunder that may give rise to a termination of this Agreement by Inter Pipeline, PMI, the Trust or IPL, including the failure to satisfy a condition precedent as set forth in Sections 4.1, 4.2 and 4.3.

### **ARTICLE 6 NOTICES**

#### **6.1 Notices**

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally, and in the case of



(a) Inter Pipeline, addressed to:

c/o Pipeline Management Inc.  
2600, 237 – 4th Avenue S.W.  
Calgary, Alberta, T2P 4K3

Attention: President and Chief Executive Officer

(b) PMI, addressed to:

Pipeline Management Inc.  
2600, 237 – 4th Avenue S.W.  
Calgary, Alberta, T2P 4K3

Attention: President and Chief Executive Officer

(c) the Trust, addressed to:

Inter Pipeline GP Holding Trust  
2600, 237 – 4th Avenue S.W.  
Calgary, Alberta, T2P 4K3

Attention: Trustees

(d) IPL, addressed to:

Inter Pipeline Limited  
2600, 237 – 4th Avenue S.W.  
Calgary, Alberta, T2P 4K3

Attention: President and Chief Executive Officer

## **ARTICLE 7 GENERAL**

### **7.1 Binding Effect**

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

### **7.2 Expenses**

Inter Pipeline shall pay all expenses in connection with the preparation and execution of this Agreement and the completion of the transactions contemplated hereby or incidental hereto in the event of the successful implementation of the Arrangement pursuant to the terms of this Agreement.

### **7.3 No Assignment**

The parties may not assign their rights or obligations under this Agreement.

#### **7.4 Exclusivity**

None of the covenants of the Inter Pipeline Entities contained herein shall prevent the Board of Directors of PMI from responding as required by law to any submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally or make any disclosure to Unitholders with respect thereto which in the judgment of the Board of Directors of PMI is required or advisable under applicable law.

#### **7.5 Equitable Remedies**

All covenants herein as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may not be ordered.

#### **7.6 Severability**

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

#### **7.7 Time of Essence**

Time shall be of the essence.

#### **7.8 Further Assurances**

Each party hereto shall, from time to time, and at all times hereafter, at the request of any other party hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

#### **7.9 Execution and Delivery in Counterparts**

This Agreement may be executed in identical counterparts, each of which is and is hereby conclusively deemed to be an original and counterparts collectively are to be conclusively deemed one instrument. Delivery of counterparts may be effected by facsimile transmission.

**7.10 Waiver**

No waiver by any party hereto shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

**7.11 Limit of Liability of Limited Partners.**

Inter Pipeline is a limited partnership formed under the *Partnership Act* (Alberta), a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital and the limited partner's *pro rata* share of any undistributed income.

**7.12 Trust Limit of Liability.**

The parties acknowledge that this Agreement shall be conclusively taken to have been executed by, or on behalf of, the trustees (the "**Trustees**") of the Trust only in their capacities as trustees of the Trust under the declaration of trust (the "**Declaration of Trust**") of the Trust dated May 31, 2013. The parties disavow any liability upon and waive any claim against the beneficiaries of the Trust and the obligations created hereunder are not personally binding upon, nor shall resort be had to, nor shall recourse or satisfaction be sought from, the private property of any Trustee or any beneficiary of the Trust, but the property of the Trust only shall be bound. It is agreed that the trustees and each beneficiary of the Trust shall have the benefit of this provision and, solely for that purpose, the undersigned Trustees have entered into this provision as agent and trustee for and on behalf of the Trustees and each beneficiary of the Trust. Unless otherwise expressly provided herein, where any reference is made in this Agreement to the Trust as a party to this Agreement or any other agreement or to an act to be performed by or a covenant, representation or warranty given by the Trust, such reference shall be construed and applied for all purposes as if it referred to the Trustees, in their capacity as Trustees of the Trust under the Declaration of Trust.

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement.

**INTER PIPELINE FUND, by its general partner, PIPELINE MANAGEMENT INC.**

Per: "David W. Fesyk"  
David W. Fesyk  
Chief Executive Officer and President

Per: "William A. van Yzerloo"  
William A. van Yzerloo  
Chief Financial Officer

**PIPELINE MANAGEMENT INC.**

Per: "David W. Fesyk"  
David W. Fesyk  
Chief Executive Officer and President

Per: "William A. van Yzerloo"  
William A. van Yzerloo  
Chief Financial Officer

**INTER PIPELINE GP HOLDING TRUST**

Per: "William D. Robertson"  
William D. Robertson  
Trustee

Per: "Duane E. Keinick"  
Duane E. Keinick  
Trustee

**INTER PIPELINE LIMITED**

Per: "David W. Fesyk"  
David W. Fesyk  
Chief Executive Officer and President

Per: "William A. van Yzerloo"  
William A. van Yzerloo  
Chief Financial Officer

## SCHEDULE 1 TO ARRANGEMENT AGREEMENT

### PLAN OF ARRANGEMENT MADE PURSUANT TO SECTION 193 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

#### ARTICLE 1 INTERPRETATION

- 1.1 In this Plan of Arrangement, the following words shall have the following meanings:
- (a) "**ABCA**" means the *Business Corporations Act* (Alberta) R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
  - (b) "**Amalgamating Corporations**" means:
    - (i) if the Preferred Share Exchange Approval is received, IPL, GP Holdco, PMI and Putco; and
    - (ii) if the Preferred Share Exchange Approval is not received, IPL, GP Holdco and PMI,and "**Amalgamating Corporation**" means any one of them as the case may be;
  - (c) "**Amalgamation**" means the amalgamation of the Amalgamating Corporations as contemplated by this Plan of Arrangement;
  - (d) "**Amended DRIP**" means a Premium Dividend<sup>TM</sup> and Dividend Reinvestment Plan or an Amended and Restated Premium Dividend<sup>TM</sup> and Dividend Reinvestment Plan to be adopted by IPL, pursuant to which, among other things, the DRIP will be replaced and superseded;
  - (e) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
  - (f) "**Arrangement Agreement**" means the arrangement agreement made as of July 23, 2013, between Inter Pipeline, PMI, the Trust and IPL with respect to the Arrangement and all amendments thereto;
  - (g) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order has been granted in order to give effect to the Arrangement;
  - (h) "**Business Day**" means a day, other than a Saturday, Sunday or Statutory holiday when banks are generally open for business in the City of Calgary, in the Province of Alberta, for the transaction of commercial banking;
  - (i) "**Call Option Agreement**" means the call option agreement dated June 1, 2013 between IPL and the Trust;
  - (j) "**Certificate**" means the certificate or proof of filing to be issued by the Registrar pursuant to subsection 193(11) or subsection 193(12) of the ABCA giving effect to the Arrangement;
  - (k) "**Class A Units**" means the Class A limited partnership units of Inter Pipeline;
  - (l) "**Court**" means the Court of Queen's Bench of Alberta;
  - (m) "**Depository**" means Computershare Investor Services Inc. at its offices set out in the Letter of Transmittal;
  - (n) "**DRIP**" means Inter Pipeline's Premium Dividend<sup>TM</sup> and Dividend Reinvestment Plan;

- (o) **"DURs"** means deferred unit rights granted pursuant to the DUR Plan;
- (p) **"DUR Plan"** means Inter Pipeline's Deferred Unit Rights Plan;
- (q) **"Effective Date"** means the date the Arrangement becomes effective under the ABCA;
- (r) **"Effective Time"** means the time at which the Arrangement becomes effective under the ABCA on the Effective Date;
- (s) **"Encumbrance"** means any encumbrance, lien, charge, security interest, option, privilege or other restriction or similar right of any kind or nature, and any right or privilege capable of becoming any of the foregoing;
- (t) **"Final Order"** means the final order of the Court approving the Arrangement pursuant to paragraph 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (u) **"GP Holdco"** means Inter Pipeline GP Corp., a corporation incorporated under the ABCA;
- (v) **"GP Holdco Class A Preferred Shares"** means the Class A preferred shares, Series 1 through 8, in the capital of GP Holdco;
- (w) **"GP Holdco Class B Preferred Shares"** means the Class B preferred shares, Series 1 through 8, in the capital of GP Holdco;
- (x) **"GP Holdco Class A Voting Shares"** means the 30,742,564 outstanding Class A voting common shares in the capital of GP Holdco;
- (y) **"Inter Pipeline"** means Inter Pipeline Fund, a limited partnership established under the laws of the Province of Alberta;
- (z) **"Interim Order"** means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to this Arrangement and the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (aa) **"IPL"** means Inter Pipeline Ltd., a corporation incorporated under the ABCA;
- (bb) **"IPL Call Option"** means the option of IPL to acquire from the Trust the one issued and outstanding Class A voting common share of Putco for the consideration provided in the Call Option Agreement;
- (cc) **"IPL Common Shares"** means the Class A common shares in the capital of IPL;
- (dd) **"IPL Convertible Shares"** means the convertible shares in the capital of IPL having the rights, privileges, restrictions and conditions as set forth in Schedule B;
- (ee) **"Letter of Transmittal"** means the letter of transmittal pursuant to which a holder of Pre-Arrangement Securities is required to deliver certificates representing such Pre-Arrangement Securities in order to receive, on completion of the Arrangement, certificates representing the Post-Arrangement Shares to which such holder is entitled to pursuant to the Arrangement;
- (ff) **"Medium Term Notes"** means, collectively, the Series 1 Medium Term Notes, Series 2 Medium Term Notes, Series 3 Medium Term Notes and Series 4 Medium Term Notes;

- (gg) "**Meeting**" means the special meeting of Unitholders to be held to consider, among other things, the Arrangement and the Preferred Share Exchange, and any adjournments thereof;
- (hh) "**New Inter Pipeline**" means the company resulting from the amalgamation of the Amalgamating Corporations;
- (ii) "**New Inter Pipeline Common Shares**" means the common shares in the capital of New Inter Pipeline having the rights, privileges, restrictions and conditions as set forth in Schedule A;
- (jj) "**New Inter Pipeline Class A Preferred Shares**" means the Class A preferred shares, Series 1 through 8, in the capital of New Inter Pipeline having the rights, privileges, restrictions and conditions as set forth in Schedule C;
- (kk) "**New Inter Pipeline Class B Preferred Shares**" means the Class B preferred shares, Series 1 through 8, in the capital of New Inter Pipeline having the rights, privileges, restrictions and conditions as set forth in Schedule D;
- (ll) "**New Inter Pipeline Convertible Shares**" means the convertible shares in the capital of New Inter Pipeline having the rights, privileges, restrictions and conditions as set forth in Schedule B;
- (mm) "**Note Indentures**" means, collectively, the note indentures and supplemental indentures, as applicable providing for the issuance and governing the terms and conditions of the Medium Term Notes, in each case among Inter Pipeline, PMI and the Note Trustee;
- (nn) "**Note Trustee**" means Computershare Trust Company of Canada, in its capacity as trustee under the Note Indentures;
- (oo) "**Other Amounts**" has the meaning given to it in the Support Agreement;
- (pp) "**Partnership Agreement**" means the limited partnership agreement by which Inter Pipeline was established dated as of October 9, 1997, among PMI, 687371 Alberta Ltd., as the initial limited partner and each person who is admitted to Inter Pipeline as a limited partner from time to time in accordance with the terms thereof, as the same may be amended, modified or supplemented from time to time;
- (qq) "**Partnership Note**" means the loan owed by Inter Pipeline to PMI currently in the amount of approximately \$288.6 million;
- (rr) "**Plan of Arrangement**" means this Plan of Arrangement as amended, modified or supplemented from time to time in accordance with the terms hereof;
- (ss) "**PMI**" means Pipeline Management Inc., a corporation incorporated under the ABCA;
- (tt) "**PMI Preferred Shares**" means the preferred shares in the capital of PMI having the rights, privileges, restrictions and conditions as shall be determined by the board of directors of PMI prior to the Effective Time;
- (uu) "**Pre-Arrangement Securities**" means, collectively, the Class A Units, the GP Holdco Class A Preferred Shares and the GP Holdco Class B Preferred Shares and "**Pre-Arrangement Security**" means any one of the Class A Units, the GP Holdco Class A Preferred Shares or the GP Holdco Class B Preferred Shares as the case may be;
- (vv) "**Post-Arrangement Shares**" means, collectively,

- (i) if the Preferred Share Exchange Approval is received, the New Inter Pipeline Common Shares and the New Inter Pipeline Convertible Shares, and
- (ii) if the Preferred Share Exchange Approval is not received, the New Inter Pipeline Common Shares, the New Inter Pipeline Class A Preferred Shares and the New Inter Pipeline Class B Preferred Shares,

and "**Post-Arrangement Share**" means any one of the New Inter Pipeline Common Shares, the New Inter Pipeline Convertible Shares, the New Inter Pipeline Class A Preferred Shares or the New Inter Pipeline Class B Preferred Shares as the case may be;

- (ww) "**Preferred Share Exchange**" means the exchange of each outstanding GP Holdco Class A Preferred Share for one (1) IPL Common Share and the exchange of each outstanding GP Holdco Class B Preferred Share for one (1) IPL Convertible Share;
- (xx) "**Preferred Share Exchange Approval**" means (i) the approval by the requisite majority of the Unitholders of the ordinary resolution in respect of the Preferred Share Exchange at the Meeting, and (ii) the conditional acceptance of TSX of the Preferred Share Exchange, subject only to the satisfaction of customary conditions;
- (yy) "**Putco**" means Inter Pipeline Putco Corp., a corporation incorporated under the ABCA;
- (zz) "**Registrar**" means the Registrar of Corporations duly appointed under section 263 of the ABCA;
- (aaa) "**Series 1 Medium Term Notes**" means the Series 1 medium term notes of Inter Pipeline;
- (bbb) "**Series 2 Medium Term Notes**" means the Series 2 medium term notes of Inter Pipeline;
- (ccc) "**Series 3 Medium Term Notes**" means the Series 3 medium term notes of Inter Pipeline;
- (ddd) "**Series 4 Medium Term Notes**" means the Series 4 medium term notes of Inter Pipeline;
- (eee) "**Subscription Agreement**" means the subscription agreement dated as of June 1, 2013 between GP Holdco and Inter Pipeline;
- (fff) "**Support Agreement**" means the put option and support agreement dated as of June 1, 2013 among IPL, GP Holdco, Putco, Inter Pipeline and certain shareholders of GP Holdco;
- (ggg) "**Trust**" means Inter Pipeline GP Holding Trust, a trust settled under and governed by the laws of the Province of Alberta;
- (hhh) "**TSX**" means the Toronto Stock Exchange;
- (iii) "**Unitholders**" means the holders of Class A Units from time to time; and
- (jjj) "**USA**" means the unanimous shareholders agreement dated as of June 1, 2013 among the Trust, Inter Pipeline, certain shareholders of GP Holdco and GP Holdco.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.



1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa and words importing any gender shall include all genders.

1.5 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations or rules promulgated thereunder from time to time in effect.

1.6 The following schedules to this Plan of Arrangement are incorporated by reference herein and form part of this Plan:

Schedule A – New Inter Pipeline Common Shares  
 Schedule B – IPL/ New Inter Pipeline Convertible Shares  
 Schedule C – New Inter Pipeline Class A Preferred Shares  
 Schedule D – New Inter Pipeline Class B Preferred Shares

1.7 References in this Plan of Arrangement to times shall be deemed to be to Mountain Standard Time.

1.8 Unless otherwise stated all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

## **ARTICLE 2 THE ARRANGEMENT AGREEMENT**

2.1 The Plan of Arrangement is made pursuant to the Arrangement Agreement.

2.2 The Arrangement shall be binding upon Inter Pipeline, PMI, IPL, New Inter Pipeline, GP Holdco, Putco, the Trust and all other persons including, without limitation, the Unitholders, the holders of the GP Holdco Class A Preferred Shares, the holders of the GP Holdco Class B Preferred Shares, the holders of the Medium Term Notes and the holders of DURs.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety with the purpose and intent that none of the provisions of the Arrangement shall become effective unless all of the provisions of the Arrangement shall become effective. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective on the Effective Date and/or the day immediately following the Effective Date, as applicable, at the time and in the sequence set out therein. If no Certificate is required to be issued by the Registrar pursuant to subsection 193(11) of the ABCA, the Arrangement shall become effective on the date the Articles of Arrangement are filed with the Registrar pursuant to subsection 193(10) of the ABCA.

## **ARTICLE 3 ARRANGEMENT**

3.1 Each of the events set out below shall occur and shall be deemed to occur sequentially on the dates and at the times specified:

### **Payment of Other Amounts**

- (a) at 12:01 a.m. on the Effective Date, GP Holdco shall declare payable to holders of GP Holdco Class A Preferred Shares of record at 12:01 a.m. on the Effective Date a dividend equal to the Other Amounts, if any, applicable to each such share at such time payable on the payment date, if any, for the corresponding distribution declared on the Class A Units;

### **Amendment of Partnership Agreement**

- (b) at 12:02 a.m. on the Effective Date, the Partnership Agreement shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions contemplated by this Plan of Arrangement;

### **Exercise of IPL Call Option**

- (c) at 12:03 a.m. on the Effective Date, if the Preferred Share Exchange Approval is received, IPL shall exercise the IPL Call Option and, without any further action by, or on behalf of, the Trust or IPL, the one issued and outstanding class A voting common share in the capital of Putco shall be sold, assigned and transferred by the Trust to IPL for the consideration provided in the Call Option Agreement;

### **Preferred Share Exchange**

- (d) at 12:04 a.m. on the Effective Date, if the Preferred Share Exchange Approval is received:
- (i) each outstanding GP Holdco Class A Preferred Share shall, without any further action by, or on behalf of, any holder of GP Holdco Class A Preferred Shares, be sold, assigned and transferred to IPL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable IPL Common Share; and
  - (ii) each outstanding GP Holdco Class B Preferred Share shall, without any further action by, or on behalf of, any holder of GP Holdco Class B Preferred Shares, be sold, assigned and transferred to IPL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable IPL Convertible Share;

### **Termination of Subscription Agreement and USA and, if the Preferred Share Exchange Approval is received, Support Agreement**

- (e) at 12:05 a.m. on the Effective Date, the Subscription Agreement and USA shall be terminated without payment of any consideration and shall cease to have any further force or effect and, if the Preferred Share Exchange Approval is received, the Support Agreement shall be terminated without payment of any consideration and shall cease to have any further force or effect;

### **Exchange of Class A Units for IPL Common Shares**

- (f) at 12:06 a.m. on the Effective Date, each outstanding Class A Unit shall, without any further action by, or on behalf of, any Unitholder, be sold, assigned and transferred to IPL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable IPL Common Share;

### **Acquisition of GP Holdco Class A Voting Shares**

- (g) at 12:07 a.m. on the Effective Date, without any further action by, or on behalf of, the Trust or IPL, the GP Holdco Class A Voting Shares shall be sold, assigned and transferred by the Trust to IPL for cash consideration equal to the fair market value thereof;

### **Repurchase for Cancellation of IPL Common Share**

- (h) at 12:08 a.m. on the Effective Date, without any further action by, or on behalf of, the Trust or IPL, the one IPL Common Share owned by the Trust shall be sold, assigned and transferred by the Trust to IPL for cash consideration equal to the fair market value thereof and such IPL Common Share shall be cancelled;

### **Repayment of Intercompany Loans – Partnership**

- (i) at 12:09 a.m. on the Effective Date, Inter Pipeline shall pay all amounts owing to GP Holdco pursuant to the Support Agreement, if any, and all accrued unpaid interest in respect of the Partnership Note, if any;

### **Repayment of Intercompany Loans – PMI**

- (j) at 12:10 a.m. on the Effective Date, PMI shall contribute the Partnership Note to Inter Pipeline as a contribution of partnership capital in an amount equal to the principal amount of the Partnership Note and Inter Pipeline shall issue to PMI in consideration therefor that number of Class B Units equal to the quotient obtained by dividing the principal amount of the Partnership Note by the fair market value of one Class B Unit determined immediately prior to the contribution of the Partnership Note pursuant to this Section 3.1(j);

### **PMI Assumption of Liabilities of Inter Pipeline**

- (k) at 12:11 a.m. on the Effective Date, without any further action by, or on behalf of, Inter Pipeline, PMI or any other person, PMI shall assume as a contribution of partnership capital all of the liabilities and obligations of Inter Pipeline including, without limitation, the liabilities and obligations of Inter Pipeline in respect of the DRIP and associated agreements, all of the covenants and obligations of Inter Pipeline under the Note Indentures (such that the Medium Term Notes will be valid and binding obligations of PMI entitling the holders thereof, as against PMI to all the rights of such holders under the Note Indentures) and, in connection therewith, PMI shall enter into a supplemental indenture or indentures with the Note Trustee in accordance with the applicable requirements of the Note Indentures and otherwise comply with all requirements of the Note Indentures relating thereto, and Inter Pipeline shall issue to PMI in consideration therefor that number of Class B Units equal to the quotient obtained by dividing the principal amount of the liabilities and obligations assumed by PMI by the fair market value of one Class B Unit immediately prior to the assumption of the liabilities and obligations of Inter Pipeline pursuant to this Section 3.1(k);

### **Acquisition of Class A Units by PMI; Inter Pipeline Dissolution**

- (l) at 12:12 a.m. on the Effective Date:
  - (i) without any further action by, or on behalf of, Inter Pipeline, PMI or IPL, all of the Class A Units owned by IPL shall be sold, assigned and transferred to PMI in exchange for 1,000 PMI Preferred Shares having an aggregate redemption amount equal to the aggregate fair market value of such Class A Units; and
  - (ii) by virtue of the acquisition by PMI of all of the Class A Units it does not already own pursuant to Section 3.1(l)(i) Inter Pipeline shall be dissolved and terminated without any further action and:
    - (A) all of Inter Pipeline's property and assets shall become the property and assets of PMI without any further action; and
    - (B) the Partnership Agreement shall be terminated without payment of any consideration and cease to have any further force or effect for any purpose;

### **Amended DRIP**

- (m) at 12:13 a.m. on the Effective Date, the Amended DRIP shall become effective;

### **DURs and DUR Plan**

- (n) at 12:14 a.m. on the Effective Date, all outstanding DURs and the DUR Plan shall be amended to replace references to Inter Pipeline and the Class A Units with references to IPL and the IPL Common Shares, respectively, and other incidental amendments to reflect the Arrangement;

### **The Amalgamation and Formation of New Inter Pipeline**

- (o) at the commencement of the day immediately following the Effective Date, the Amalgamating Corporations shall amalgamate pursuant to the ABCA and continue as one corporation on the terms prescribed in this Plan of Arrangement, and:

- (i) the provisions of subsections 186(b), (c), (d), (e) and (f) of the ABCA shall apply to the Amalgamation with the result that:

- (A) the property of each Amalgamating Corporation (other than shares of an Amalgamating Corporation held by another Amalgamating Corporation and an amount receivable by an Amalgamating Corporation from another Amalgamating Corporation) shall continue to be the property of New Inter Pipeline;
- (B) New Inter Pipeline shall continue to be liable for the obligations of each Amalgamating Corporation (other than an amount owing by an Amalgamating Corporation to another Amalgamating Corporation);
- (C) any existing cause of action, claim or liability to prosecution is unaffected;
- (D) any civil, criminal or administrative action or proceeding pending by or against an Amalgamating Corporation may be continued to be prosecuted by or against New Inter Pipeline; and
- (E) a conviction against, or ruling, order or judgment in favour of or against, an Amalgamating Corporation may be enforced by or against New Inter Pipeline;

- (ii) the Articles of Amalgamation shall be the same as the articles of IPL, provided that:

- (A) if the Preferred Share Exchange Approval is received, the authorized share capital of New Inter Pipeline shall consist of an unlimited number of New Inter Pipeline Common Shares and 7,055,406 New Inter Pipeline Convertible Shares, with the rights, privileges and restrictions set out in Schedule A and Schedule B to this Plan of Arrangement, respectively, and
- (B) if the Preferred Share Exchange Approval is not received, the authorized share capital of New Inter Pipeline shall consist of an unlimited number of New Inter Pipeline Common Shares, 7,411,683 New Inter Pipeline Class A Preferred Shares and 7,055,406 New Inter Pipeline Class B Preferred Shares, with the rights, privileges, restrictions and conditions set out in Schedule A, Schedule C and Schedule D to this Plan of Arrangement, respectively, and including Appendix "A" thereto,

and the name of New Inter Pipeline shall be "Inter Pipeline Ltd." or such other name as the directors of New Inter Pipeline may determine;

- (iii) the Articles of Amalgamation of New Inter Pipeline shall be deemed to be the Articles of Incorporation of New Inter Pipeline and the Certificate of Amalgamation of New Inter Pipeline shall be deemed to be the Certificate of Incorporation of New Inter Pipeline;

- (iv) on the Amalgamation:
  - (A) if the Preferred Share Exchange Approval is received,
    - (I) each issued and outstanding IPL Common Share shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable New Inter Pipeline Common Share, and the name of each holder of IPL Common Shares shall be removed from the register of holders of IPL Common Shares and added to the register of holders of New Inter Pipeline Common Shares;
    - (II) each issued and outstanding IPL Convertible Share shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable New Inter Pipeline Convertible Share, and the name of each holder of IPL Convertible Shares shall be removed from the register of holders of IPL Convertible Shares and added to the register of holders of New Inter Pipeline Convertible Shares;
    - (III) each issued and outstanding share in the capital of GP Holdco, PMI and Putco shall be cancelled without any payment of capital in respect thereof; and
  - (B) if the Preferred Share Exchange Approval is not received:
    - (I) each issued and outstanding IPL Common Share shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable New Inter Pipeline Common Share, and the name of each holder of IPL Common Shares shall be removed from the register of holders of IPL Common Shares and added to the register of holders of New Inter Pipeline Common Shares;
    - (II) each issued and outstanding GP Holdco Class A Preferred Share of each series shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable New Inter Pipeline Class A Preferred Share of the corresponding series, and the name of each holder of GP Holdco Class A Preferred Shares shall be removed from the register of holders of GP Holdco Class A Preferred Shares and added to the register of holders of the applicable series of New Inter Pipeline Class A Preferred Shares;
    - (III) each issued and outstanding GP Holdco Class B Preferred Share of each series shall be converted, without any act or formality on the part of the holder thereof, into one (1) fully paid and non-assessable New Inter Pipeline Class B Preferred Share of the corresponding series, and the name of each holder of GP Holdco Class B Preferred Shares shall be removed from the register of holders of GP Holdco Class B Preferred Shares and added to the register of holders of the applicable series of New Inter Pipeline Class B Preferred Shares;
    - (IV) each issued and outstanding common share in the capital of GP Holdco and each issued and outstanding share in the capital of PMI shall be cancelled without any payment of capital in respect thereof;
- (v) the stated capital of New Inter Pipeline shall be determined as follows:

- (A) the stated capital of the New Inter Pipeline Common Shares shall continue to be the amount of the stated capital of the IPL Common Shares as determined in accordance with Section 3.2(a);
- (B) if the Preferred Share Exchange Approval is received, the stated capital of the New Inter Pipeline Convertible Shares shall continue to be the amount of the stated capital of the IPL Convertible Shares as determined in accordance with Section 3.2(b); and
- (C) if the Preferred Share Exchange Approval is not received,
  - (I) the stated capital of each series of the New Inter Pipeline Class A Preferred Shares shall be equal to the paid-up capital for the purposes of the Tax Act of the corresponding series of GP Holdco Class A Preferred Shares immediately before the Amalgamation, and
  - (II) the stated capital of each series of the New Inter Pipeline Class B Preferred Shares shall be equal to the paid-up capital for the purposes of the Tax Act of the corresponding series of the GP Holdco Class B Preferred Shares immediately before the Amalgamation;
- (vi) the by-laws of New Inter Pipeline shall be the same as the by-laws of IPL; and
- (vii) the initial directors of New Inter Pipeline shall be the directors of IPL;

## 3.2

- (a) Upon issuance of the IPL Common Shares in accordance with Sections 3.1(d)(i), if any, and 3.1(f), there shall be added to the stated capital account maintained for the IPL Common Shares an amount determined by the board of directors of IPL in accordance with Section 28(3) of the ABCA not exceeding the paid-up capital for purposes of the Tax Act of the IPL Common Shares.
- (b) Upon issuance of the IPL Convertible Shares in accordance with Section 3.1(d)(ii), if any, there shall be added to the stated capital account maintained for the IPL Convertible Shares an amount equal to the paid-up capital for the purposes of the Tax Act of the GP Holdco Class B Preferred Shares immediately before the sale, assignment and transfer of the GP Holdco Class B Preferred Shares pursuant to Section 3.1(d)(ii).

3.3 Upon the exchange, if any, of GP Holdco Class A Preferred Shares for IPL Common Shares pursuant to Section 3.1(d)(i):

- (a) each former holder of GP Holdco Class A Preferred Shares shall cease to be the holder of such GP Holdco Class A Preferred Shares;
- (b) each such former holder of such GP Holdco Class A Preferred Shares shall become the holder of the IPL Common Shares exchanged for the GP Holdco Class A Preferred Shares held by such holder on the basis of one (1) IPL Common Share for each GP Holdco Class A Preferred Share so transferred; and
- (c) IPL shall become the holder of all of the GP Holdco Class A Preferred Shares.

3.4 Upon the exchange, if any, of GP Holdco Class B Preferred Shares for IPL Convertible Shares pursuant to Section 3.1(d)(ii):

- (a) each former holder of GP Holdco Class B Preferred Shares shall cease to be the holder of such GP Holdco Class B Preferred Shares;

(b) each such former holder of such GP Holdco Class B Preferred Shares shall become the holder of the IPL Convertible Shares exchanged for the GP Holdco Class B Preferred Shares held by such holder on the basis of one (1) IPL Convertible Share for each GP Holdco Class B Preferred Share so transferred; and

(c) IPL shall become the holder of all of the GP Holdco Class B Preferred Shares.

3.5 Upon the exchange of Class A Units for IPL Common Shares pursuant to Section 3.1(f):

(a) each former holder of Class A Units shall cease to be the holder of such Class A Units;

(b) each such former holder of such Class A Units shall become the holder of the IPL Common Shares exchanged for the Class A Units held by such holder on the basis of one (1) IPL Common Share for each Class A Unit so transferred; and

(c) IPL shall become the holder of all of the Class A Units.

3.6 Inter Pipeline, PMI, IPL, New Inter Pipeline, GP Holdco and Putco shall make the appropriate entries in their respective securities registers to reflect the matters referred to in Section 3.1.

3.7 A former holder of Class A Units shall be entitled to make an income tax election, pursuant to subsection 85(1) or 85(2) of the Tax Act, as applicable (and the analogous provisions of provincial or territorial income tax law) with respect to the transfer by the Unitholder of Class A Units to IPL by providing two signed copies of the necessary prescribed election forms to New Inter Pipeline within 90 days following the Effective Date, duly completed with the details of the number of Class A Units transferred and the applicable agreed amount or amounts for the purposes of such election together with all other information required in the prescribed form in respect of such electing Unitholder. Thereafter, subject to the election forms complying with the provisions of the Tax Act (or applicable provincial or territorial income tax law), the forms will be signed by New Inter Pipeline and filed by New Inter Pipeline with the Canada Revenue Agency (or the applicable provincial or territorial taxing authority). New Inter Pipeline shall not be responsible for (a) a Unitholder failing to provide to New Inter Pipeline two signed copies of the necessary prescribed election forms, duly completed, within 90 days following the Effective Date, (b) the proper completion of any election form or any election form failing to comply with the provisions of the Tax Act (or any applicable provincial or territorial income tax laws), or (c) any taxes, interest or penalties resulting from the foregoing including the failure by an Unitholder to properly complete the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial or territorial legislation). In its sole discretion, New Inter Pipeline may choose to sign and file an election form received by it more than 90 days following the Effective Date, but IPL shall have no obligation to do so.

3.8 Notwithstanding the termination of the Support Agreement, a former holder of GP Holdco Class A Preferred Shares or GP Holdco Class B Preferred Shares shall be entitled to make an income tax election, pursuant to subsection 85(1) of the Tax Act (and the analogous provisions of provincial or territorial income tax law) with respect to the transfer by the holder of GP Holdco Class A Preferred Shares or GP Holdco Class B Preferred Shares to IPL in accordance with Section 6.2(b)(v) of the Support Agreement.

#### ARTICLE 4

#### OUTSTANDING CERTIFICATES, FRACTIONAL SHARES AND WITHHOLDING TAXES

4.1 From and after the Effective Time, certificates formerly representing Pre-Arrangement Securities shall represent only the right to receive the Post-Arrangement Shares, which the former holder of such Pre-Arrangement Securities is, subject to Section 4.5, entitled to receive pursuant to Article 3 of this Arrangement.

4.2 All dividends paid with respect to any Post-Arrangement Shares allotted and issued pursuant to this Arrangement but for which a certificate or document evidencing the electronic registration of ownership of Post-Arrangement Shares in the records of New Inter Pipeline (a "**Direct Registration Advice**") has not been issued shall be paid or delivered to the Depository to be held by the Depository in trust for the registered holder of the Post-

Arrangement Shares. Subject to Section 4.5, the Depositary shall pay and deliver to any such registered holder such dividends to which such holder is entitled, net of applicable withholding and other taxes, upon delivery of the certificate or Direct Registration Advice representing the Post-Arrangement Shares issued to such holder in accordance with Section 4.3. No registered holder shall be entitled to receive any interest on the payment of such dividends.

4.3 A former holder of Pre-Arrangement Securities may take delivery of the Post-Arrangement Shares to which the holder is entitled pursuant to this Arrangement by delivering the certificates representing such holder's applicable Pre-Arrangement Securities to the Depositary at any of the offices indicated in the Letter of Transmittal, accompanied by a duly completed Letter of Transmittal and such other documents as the Depositary may reasonably require. The certificates or Direct Registration Advice representing the Post-Arrangement Shares issued to such holder shall be registered in such names and, delivered to such addresses as such holder may direct in such Letter of Transmittal, or if requested by the former holder of Pre-Arrangement Securities in the Letter of Transmittal, made available at the Depositary for pick-up by the former holder of Pre-Arrangement Securities, as soon as practicable after receipt by the Depositary of the required documents.

4.4 A holder of Pre-Arrangement Securities or former holder of Pre-Arrangement Securities shall not be entitled to any interest, distribution, premium or other payment on or with respect to the former Pre-Arrangement Securities other than the Post-Arrangement Shares which such holder of Pre-Arrangement Securities is entitled to receive pursuant to this Arrangement and any distribution declared by Inter Pipeline or dividend declared by GP Holdco prior to the Effective Date and payable after the Effective Date, but only to the extent that such holder of Pre-Arrangement Securities was a holder of record of the applicable Pre-Arrangement Securities at the close of business on the record date specified by Inter Pipeline or GP Holdco, as the case may be, in connection with such distribution or dividend.

4.5 Any certificate formerly representing Pre-Arrangement Securities that is not deposited with all other documents as provided in Section 4.3 on or before the last Business Day before the third anniversary of the Effective Date shall, effective at 5:00 p.m. on the last Business Day before the third anniversary of the Effective Date:

- (a) cease to represent a right or claim of any kind or nature and the right of the former holder of Pre-Arrangement Securities to receive Post-Arrangement Shares and/or any cash payments, as the case may be; and
- (b) be deemed to be surrendered to New Inter Pipeline together with all dividends thereon held for such holder.

4.6 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Pre-Arrangement Securities that were transferred pursuant to Section 3.1(d) or Section 3.1(f) hereof has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the registered holder thereof in the register of the applicable Pre-Arrangement Securities shall, as a condition precedent to the receipt of any Post-Arrangement Shares to be issued to such person, provide to New Inter Pipeline and the Depositary, a bond, in form and substance satisfactory to New Inter Pipeline and the Depositary, or otherwise indemnify New Inter Pipeline and the Depositary, to their satisfaction, in their sole and absolute discretion, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.7 Inter Pipeline, PMI, GP Holdco, IPL, New Inter Pipeline and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any holder of Pre-Arrangement Securities under the Arrangement such amounts as they are required or reasonably believed to be required to deduct and withhold from such consideration in accordance with applicable laws. Any such amounts shall be deducted and withheld from the consideration in respect of the Arrangement and shall be treated for all purposes as having been paid to the holder of Pre-Arrangement Securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate governmental entity. To the extent of any non-cash consideration so withheld, Inter Pipeline, PMI, GP Holdco, IPL, New Inter Pipeline and the Depositary shall be



entitled to sell such non-cash consideration, for and on behalf of an affected holder of Pre-Arrangement Securities, as they consider necessary to satisfy any such withholding and remittance obligation.

#### **ARTICLE 5 AMENDMENTS**

5.1 Inter Pipeline, PMI, IPL and the Trust reserve the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is: (a) filed with the Court and, if made following the Meeting, approved by the Court; and (b) communicated to Unitholders in the manner required by the Court (if so required).

5.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Inter Pipeline, PMI, IPL and the Trust at any time prior to or at the Meeting with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

5.3 Inter Pipeline, PMI, IPL and the Trust may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of Inter Pipeline, PMI, IPL and the Trust and with the approval of the Court.

5.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time by New Inter Pipeline, provided that it concerns a matter which, in the reasonable opinion of New Inter Pipeline is not adverse to the financial or economic interests of any holder of Pre-Arrangement Securities.

#### **ARTICLE 6 FURTHER ASSURANCES**

6.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order, at the times and on the dates set out in the Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein. Inter Pipeline, PMI, IPL and the Trust may agree not to implement this Plan of Arrangement, notwithstanding the passing of the Arrangement Resolution and the receipt of the Final Order.

## SCHEDULE A

### NEW INTER PIPELINE COMMON SHARES

1. The Common Shares in the capital of the Corporation shall have the following rights, privileges, restrictions and conditions:

- (a) **Voting Rights:** The holders of Common Shares shall be entitled to notice of, to attend and to one (1) vote per share held at any meeting of the shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such).
- (b) **Dividends:** The holders of Common Shares shall be entitled to receive dividends as and when declared by the Board of Directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends.
- (c) **Liquidation:** [The holders of Common Shares shall be entitled in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital, in such assets of the Corporation as are available for distribution.] OR [Subject to the rights, privileges, restrictions and conditions attaching to any shares ranking senior to the Common Shares in respect of priority in the distribution of assets upon liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, in the event of a liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, all the property and assets of the Corporation available for distribution to the holders of Common Shares and Convertible Shares shall be paid or distributed equally, share for share, between the holders of Common Shares and Convertible Shares; provided that for purposes of this Section 1(c), each holder of Convertible Shares shall be deemed to hold that number of Convertible Shares equal to the product obtained by multiplying the number of Convertible Shares held by such holder by the then applicable Conversion Rate (as defined in Section 2(a) below), as adjusted, if applicable, pursuant to Sections 2(g) and 2(h).]

[The first sentence of paragraph (c) only will be included if the authorized capital of New Inter Pipeline includes the Class A Preferred Shares and the Class B Preferred Shares and the second sentence of paragraph (c) only will be included if the authorized capital of New Inter Pipeline includes the Convertible Shares.]

## SCHEDULE B

### IPL/NEW INTER PIPELINE CONVERTIBLE SHARES

2. The Convertible Shares in the capital of the Corporation shall have the following rights, privileges, restrictions and conditions:

(a) **Definitions**

"**Acquisition Proposal**" means (a) the Corporation or the board of directors of the Corporation (or any special committee thereof) approving, recommending or authorizing any proposal from, or the entering into of a definitive agreement with, any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) which in either case constitutes, or may reasonably be expected to lead to (in either case in one transaction or a series of transactions): (i) an acquisition or purchase from the Corporation or the securityholders of the Corporation of 20% or more of the voting securities of the Corporation; (ii) a direct or indirect acquisition of 20% or more of the assets, determined by reference to the net book value of the assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of 20% or more of the assets) of the Corporation and its Subsidiaries taken as a whole; (iii) an amalgamation, arrangement, merger or consolidation involving the Corporation or its Subsidiaries; or (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving the Corporation and its Subsidiaries; (b) the approval of the requisite number of holders of voting securities of the Corporation of any proposal which constitutes, or may reasonably be expected to lead to (in one transaction or a series of transactions) an amalgamation, arrangement, merger or consolidation involving the Corporation or its Subsidiaries; or (c) the take-up of and payment for any voting securities of the Corporation pursuant to a "take-over bid" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*); provided that any such transaction solely between or among the Corporation and/or one or more of its Subsidiaries and/or between or among any of its Subsidiaries shall not constitute an "Acquisition Proposal".

"**Business Day**" means any day except Saturday, Sunday, any statutory holiday in the Province of Alberta, or any other day on which the principal chartered banks in the City of Calgary are closed for business.

"**Capital Reorganization**" has the meaning specified in Section 2(g)(v).

"**CDS**" means CDS Clearing and Depository Services Inc. or any successor thereof.

"**Class B Excess Distributions**" means the aggregate of any Excess Distributions (as defined in the Class B Share Provisions) that accrued in respect of the Class B Preferred Shares of Inter Pipeline GP Corp. prior to the date of issue of Convertible Shares to holders of the Class B Preferred Shares of Inter Pipeline GP Corp. pursuant to the Conversion.

"**Class B Share Provisions**" means the rights, privileges, restrictions and conditions attaching to the Class B Preferred Shares of Inter Pipeline GP Corp. contained in the Articles of Incorporation of Inter Pipeline GP Corp.

"**Common Share Reorganization**" has the meaning specified in Section 2(g)(i).

"**Conversion**" has the meaning specified in the Class B Share Provisions.

"**Conversion Date**" means the date of the earliest to occur of: (i) an Acquisition Proposal; (ii) the Trigger Date; and (iii) the Outside Date.

"**Conversion Rate**" has the meaning specified in Section 2(f)(i).

"**Converted Shares**" has the meaning specified in Section 2(f)(i).

"**Current Market Price**" means, in respect of a Common Share on any date, the weighted average price per share (computed and rounded to the third decimal point) at which Common Shares have traded during the period of 20 consecutive trading days ending on the fifth trading day before such date on the Toronto Stock Exchange or, if the Common Shares are not then traded on the Toronto Stock Exchange, on such other stock exchange or automated quotation system on which the Common Shares are then listed or quoted, as may be selected by the board of directors for such purpose. The weighted average price per Common Share shall be determined by dividing the aggregate sale price of all Common Shares sold on the applicable stock exchange or automated quotation system during the said 20 trading day period, by the total number of Common Shares sold. For purposes of this definition, "Common Shares" means the Class A limited partnership units of IPF for any trading day in the said 20 trading day period on which the Common Shares were not and such Class A limited partnership units were listed and posted for trading on the Toronto Stock Exchange.

"**Eligible Institution**" means a Canadian schedule I chartered bank, a member of the Securities Transfer Agents Medallion Program, a member of the Stock Exchanges Medallion Program or a member of the New York Stock Exchange, Inc. Medallion Signature Program.

"**Excess Distribution**" has the meaning specified in Section 2(g)(iii).

"**IPF**" means Inter Pipeline Fund, a limited partnership formed and previously existing under the *Partnership Act* (Alberta) and includes the Corporation as the successor to the business of Inter Pipeline Fund.

"**Outside Date**" means January 1, 2017.

"**Person**" includes any individual, body corporate, unlimited liability company, limited liability corporation, partnership, limited liability partnership, sole proprietorship, firm, joint stock company, joint venture, trust, unincorporated association, unincorporated organization, syndicate, governmental authority and any other entity or organization of any nature whatsoever.

"**Reduction Factor**" means  $70/170$ , which for purposes of these share provisions shall be expressed as a fraction with a numerator calculated to five decimal places and a denominator of one.

"**Required Holders**" means, at any particular time, where there are more than three registered holders of Convertible Shares, at least three of the registered holders of Convertible Shares and, where there are three or less registered holders of Convertible Shares, any one or more of the registered holders of Convertible Shares, in either case holding at least 75% of the then outstanding Convertible Shares (excluding shares held, directly or indirectly and legally or beneficially, by the Corporation or its Subsidiaries, successors, assigns or transferees).

"**Rights Offering**" has the meaning specified in Section 2(g)(ii).

"**Rights Offering Price**" has the meaning specified in Section 2(h)(i).

"**Subsidiary**", in relation to any Person, means any other Person of which more than 50% of the total voting power of shares of stock or units of ownership or beneficial interest entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such first-mentioned Person.

"**Tax Act**" means the Income Tax Act, R.S.C. 1985, c. 1 (5th Supp.).

"**Tax**" or "**Taxes**" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any governmental authority under any applicable tax legislation, including Canadian and U.S. federal, provincial, state, territorial, municipal and local, foreign or other income, capital, goods and services, sales, use, consumption, excise, value-added, business, real property, personal property, transfer, franchise, withholding, payroll or employer health taxes, customs, import, anti-dumping or countervailing duties, Canada Pension Plan contributions, provincial pension plan contributions, employment insurance premiums, and provincial workers' compensation payments, including any interest, penalties and fines associated therewith.

"**Trigger Date**" means the earlier to occur of:

- (i) the earliest date on which both of the following conditions has been met:
  - A. under the Bitumen Blend Transportation Services Agreement dated March 26, 2013 between IPF and FCCL Partnership, IPF has begun to receive (or become entitled to receive) either the FCCL Fees or the ACF (in each case as defined as therein and collectively referred to herein as the "**Bitumen Fees**"); and
  - B. under the Condensate Transportation Services Agreement dated March 26, 2013 between IPF and FCCL Partnership, IPF has begun to receive (or become entitled to receive) FCCL Fees or the ACF (in each case as defined therein and collectively referred to herein as the "**Condensate Fees**"); and
- (ii) any acquisition or purchase from IPF or its Subsidiaries (whether of voting securities or assets or by lease, long term supply agreement or otherwise) that has had or would have the effect of transferring IPF's entitlement to receive the Bitumen Fees or Condensate Fees prior to the conditions in clause (i) of this definition being met.

(b) **Interpretation**

- (i) The division of these share provisions into sections and the insertion of headings are for convenience of reference and shall not impact the interpretation of the rights, privileges, restrictions and conditions attaching to the Convertible Shares.
- (ii) Words importing the singular number include the plural and vice-versa and words importing any gender include all genders.
- (iii) If any date on which any action is required to be taken is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

- (c) **Liquidation:** Subject to the rights, privileges, restrictions and conditions attaching to any shares ranking senior to the Convertible Shares in respect of priority in the distribution of assets upon liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, in the event of a liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, all the property and assets of the Corporation available for distribution to the holders of Common Shares and Convertible Shares shall be paid or distributed equally, share for share, between the holders of Common Shares and Convertible Shares; provided that for purposes of this Section 2(c), each holder of Convertible Shares shall be deemed to hold that number of Convertible Shares equal to

the product obtained by multiplying the number of Convertible Shares held by such holder by the then applicable Conversion Rate, as adjusted, if applicable, pursuant to Sections 2(g) and (h).

- (d) **Dividends:** Holders of Convertible Shares shall not be entitled to receive dividends.
- (e) **Voting Rights:** Holders of Convertible Shares shall not be entitled to receive notice of or to attend or vote at any meeting of the shareholders of the Corporation except: (a) as required by applicable law; and (b) as required by the provisions hereof.
- (f) **Conversion**
  - (i) On the Conversion Date, all of the Convertible Shares then outstanding (the "**Converted Shares**") shall be converted automatically into Common Shares on the basis of one Common Share for each Convertible Share, subject to adjustment in accordance with Sections 2(g) and 2(h) (the "**Conversion Rate**"); provided that if the Conversion Date occurs by reason of the occurrence of the Outside Date, then the Conversion Rate shall be reduced and shall equal the product of the amount as otherwise determined above multiplied by the Reduction Factor. In the event the number of Common Shares to be issued to a holder of Converted Shares is not a whole number, then such number will be rounded-up or down, as applicable, to the nearest whole number.
  - (ii) As promptly as practicable after the Corporation becomes aware that the Conversion Date has occurred, the Corporation shall provide written notice, by prepaid first class mail, to the holders of the Converted Shares that the Conversion Date has occurred and confirming the date of the Conversion Date. Failure or delay on the part of the Corporation in providing such notice will not affect the conversion of the Converted Shares.
  - (iii) From and after the Conversion Date, the Converted Shares shall cease to be outstanding and holders thereof shall cease to be entitled to exercise any of the rights of holders in respect thereof but shall instead have all of the rights of a holder of the number of Common Shares determined in accordance herewith; and holders of certificates for the Converted Shares shall be entitled upon surrender of such certificates to the transfer agent appointed by the Corporation in respect of the Common Shares to receive in exchange certificates representing the corresponding number of Common Shares or, if applicable, to be entered as the owner of such number of Common Shares in any book-entry system administered by CDS in respect thereof. Provided that the registered holder surrendering the certificate for any Converted Shares requests certificates for Common Shares or book-entry recording in the same name as the registered owner thereof, such registered holders of Converted Shares will not be required to obtain or provide a signature guarantee from an Eligible Institution or comply with any similar guarantee or authentication program or procedure with respect to such surrender and exchange.
- (g) **Adjustment of Conversion Rate**
  - (i) If and whenever at any time and from time to time the Corporation shall (I) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (II) reduce, combine or consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (III) issue Common Shares (or securities exchangeable for or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (any of such events being a "**Common Share Reorganization**"), the Conversion Rate shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purpose of the Common Share

Reorganization by multiplying the Conversion Rate in effect on such record date by the quotient obtained when:

- A. the number of Common Shares outstanding after the completion of such Common Share Reorganization (but before giving effect to the issue of any Common Shares issued after such record date otherwise than as part of such Common Share Reorganization) including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date

is divided by

- B. the number of Common Shares outstanding on such record date before giving effect to the Common Share Reorganization.

- (ii) If and whenever at any time and from time to time the Corporation shall fix the record date for the issuance of rights, options or warrants to the holders of all or substantially all of its outstanding Common Shares entitling them to subscribe for or to purchase Common Shares (or securities of the Corporation convertible into Common Shares) at a price per Common Share (or having a conversion price per Common Share) of less than 95% of the Current Market Price of a Common Share on such record date (any such event being a "Rights Offering"), then the Conversion Rate then in effect shall be adjusted immediately after such record date by multiplying the Conversion Rate in effect on such record date by the quotient obtained when:

- A. the sum of the number of Common Shares outstanding on such record date and the number of additional Common Shares offered for subscription or purchase under the Rights Offering (or the number of Common Shares into which the securities so offered are convertible)

is divided by

- B. the sum of the number of Common Shares outstanding on such record date and a number determined by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase under the Rights Offering (or the aggregate conversion price of the convertible securities so offered) by the Current Market Price of a Common Share on such record date.

Any Common Shares beneficially owned by the Corporation or its Subsidiaries shall be deemed not to be outstanding for the purpose of any such computation. If such rights, options or warrants are not so issued or if, at the date of expiry of the rights, options or warrants subject to the Rights Offering, less than all the rights, options or warrants have been exercised, then the Conversion Rate shall be readjusted effective immediately after the date of expiry to the Conversion Rate which would have been in effect if such record date had not been fixed or to the Conversion Rate which would then be in effect on the date of expiry if the only rights, options or warrants issued had been those that were exercised, as the case may be.

- (iii) If and whenever at any time and from time to time the Corporation shall fix a record date for the making of a distribution (including a distribution by way of stock dividend) to the holders of all or substantially all its outstanding Common Shares of:

- A. securities of the Corporation of any class other than Common Shares (and securities exchangeable for or convertible into Common Shares referred to in Section 2(g)(i)),
- B. rights, options or warrants (excluding a Rights Offering),
- C. evidences of its indebtedness (excluding indebtedness exchangeable for or convertible into Common Shares referred to in Section 2(g)(i)), or
- D. money or other assets (other than cash dividends in the ordinary course (Items to be considered in determining whether a dividend is in the ordinary course include the amount of dividends previously paid and the expected future cash from operations on a consolidated basis)),

(any such event being an "**Excess Distribution**"),

then, in each such case, the Conversion Rate shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purposes of the Excess Distribution by multiplying the Conversion Rate in effect on such record date by the quotient obtained when:

- E. the product obtained when the number of Common Shares outstanding on the record date is multiplied by the Current Market Price of a Common Share on such date

is divided by

- F. the difference obtained when the amount by which the aggregate fair market value (as determined by the board of directors, which determination shall be conclusive and subject to any required stock exchange or regulatory approval) of the shares, rights, options, warrants, evidences of indebtedness, money or other assets, as the case may be, distributed in the Excess Distribution exceeds the fair market value (as determined by the board of directors, which determination shall be conclusive) of the consideration, if any, received therefor by the Corporation, is subtracted from the product obtained when the number of Common Shares outstanding on the record date is multiplied by the Current Market Price of a Common Share on such date,

provided that no such adjustment shall be made if the result of such adjustment would be to decrease the Conversion Rate in effect immediately before such record date. Any Common Shares beneficially owned by the Corporation or its Subsidiaries shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such Excess Distribution is not so made, the Conversion Rate shall be readjusted effective immediately to the Conversion Rate which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed.

- (iv) In respect of any Class B Excess Distributions, the Conversion Rate shall be adjusted effective immediately after the first issuance of Convertible Shares to holders of Class B Preferred Shares of Inter Pipeline GP Corp. by multiplying the Conversion Rate in effect on such record date by the quotient obtained when:



- A. the product obtained when the number of Common Shares outstanding on the record date is multiplied by the Current Market Price of a Common Share on such date

is divided by

- B. the difference obtained when the amount of the Class B Excess Distributions is subtracted from the product obtained when the number of Common Shares outstanding on the record date is multiplied by the Current Market Price of a Common Share on such date,

provided that no such adjustment shall be made if the result of such adjustment would be to decrease the Conversion Rate.

- (v) If and whenever there is a capital reorganization of the Corporation not otherwise provided for in this Section 2(g) or a consolidation, merger, arrangement or amalgamation (statutory or otherwise) of the Corporation with or into another body corporate (excluding the Conversion) (any such event being a "Capital Reorganization"), each holder of Convertible Shares shall be entitled to receive the aggregate number of shares or other securities of the Corporation or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization that such holder would have been entitled to receive as a result of such Capital Reorganization if, on the record date, such holder had been the holder of the number of Common Shares to which he was theretofore entitled upon conversion (assuming the Conversion Date had occurred), subject to adjustment thereafter in accordance with provisions the same, as nearly as may be possible, as those contained in this Section 2(g), as applicable; provided that no such Capital Reorganization shall be carried into effect unless all necessary steps shall have been taken so that the holders of Convertible Shares shall thereafter be entitled to receive such number of shares or other securities of the Corporation or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization.
- (vi) In the case of any reclassification of, or other change in, the outstanding Common Shares other than a Common Share Reorganization or a Capital Reorganization, the Conversion Rate shall be adjusted immediately after the record date for such reclassification or other change so that holders of Convertible Shares shall be entitled to receive, upon conversion at any time after the record date of such reclassification or other change, such shares, securities or rights as they would have received had such Convertible Shares been converted into Common Shares immediately prior to such record date subject to adjustment thereafter in accordance with provisions, the same as nearly as may be possible, as those contained in this Section 2(g), as applicable.

(h) **Rules for Adjustment of Conversion Rate**

- (i) If the purchase price provided for in any rights, options or warrants (the "Rights Offering Price") referred to in Sections 2(g)(ii) or 2(g)(iii) is decreased, the Conversion Rate shall forthwith be changed so as to increase the Conversion Rate to such Conversion Rate as would have been obtained had the adjustment to the Conversion Rate made pursuant to Sections 2(g)(ii) or 2(g)(iii), as the case may be with respect to such rights, options or warrants, been made upon the basis of the Rights Offering Price as so decreased.
- (ii) No adjustment in the Conversion Rate shall be made pursuant to Sections 2(g)(ii) or 2(g)(iii) in respect of any rights, options, warrants or distributions if identical rights, options, warrants or shares are issued to the holders of the Convertible Shares as though

and to the same effect as if they had converted their Convertible Shares into Common Shares prior to the issue of such rights, options, warrants or shares.

- (iii) In the absence of a resolution of the directors fixing a record date for a Common Share Reorganization, Rights Offering, Excess Distribution or Capital Reorganization, the Corporation shall be deemed to have fixed as the record date therefor the date on which the Common Share Reorganization, Rights Offering, Excess Distribution or Capital Reorganization is effected.
  - (iv) Forthwith after any adjustment in the Conversion Rate, the Corporation shall file with the transfer agent of the Corporation for the Convertible Shares a certificate of an officer of the Corporation certifying as to the amount of such adjustment and, in reasonable detail, the event requiring and the manner of computing such adjustment; the Corporation shall also at such time mail, by prepaid first class mail, a copy of such certificate to the holders of Convertible Shares.
  - (v) Any question that at any time or from time to time arises with respect to the Conversion Rate or any adjustment in the amount of the Conversion Rate shall be conclusively determined by the board of directors of the Corporation and shall be binding upon the Corporation and all shareholders, transfer agents and registrars of Convertible Shares and Common Shares.
- (i) **Notice of Certain Events:** If the Corporation intends to fix a record date for any Common Share Reorganization (other than a subdivision, consolidation or reclassification), Rights Offering, Excess Distribution or Capital Reorganization, the Corporation shall, not less than 21 days prior to such record date, notify the holders of Convertible Shares, by prepaid first class mail, of such intention by written notice setting forth the particulars of such Common Share Reorganization, Rights Offering, Excess Distribution or Capital Reorganization in reasonable detail.
- (j) **Certain Other Matters Relating to the Converted Shares**
- (i) The Corporation shall at all times reserve and hold out of its unissued Common Shares a sufficient number of unissued Common Shares to enable all of the Convertible Shares outstanding to be converted upon the terms and conditions herein provided.
  - (ii) The Corporation shall use its best efforts to ensure that upon conversion of Convertible Shares upon the terms and conditions herein provided that the Common Shares issued in respect thereof will be freely tradeable in all provinces of Canada.
  - (iii) The Corporation shall use its best efforts to ensure that the Common Shares issuable upon conversion of the Converted Shares will be listed and posted for trading on each stock exchange on which the Common Shares are then listed and posted for trading.
- (k) **Amendments to Convertible Shares**
- (i) The rights, privileges, restrictions and conditions attaching to the Convertible Shares may be added to, changed or removed but, except as hereinafter provided, only with the approval of the Required Holders of the Convertible Shares given as hereinafter specified and subject to any required stock exchange or regulatory approval.
  - (ii) Any approval given by the holders of the Convertible Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Convertible Shares or any other matter requiring the approval or consent of the holders of the Convertible Shares under applicable law shall be deemed to have been sufficiently given if it shall have been

given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by a resolution passed by the Required Holders by instrument in writing or by Persons represented in person or by proxy at a meeting of holders of Convertible Shares (excluding Convertible Shares beneficially owned by the Corporation or any of its Subsidiaries) duly called and held at which the holders of at least 75% of the outstanding Convertible Shares at that time are present or represented by proxy.

- (l) **Withholding:** The Corporation shall be entitled to deduct and withhold from payments to holders of Convertible Shares, such amounts as the Corporation is required, pursuant to the provisions of the Tax Act or any provision of provincial, state, local or foreign tax law, in each case as amended or succeeded, to deduct and with withhold with respect to such payment. The Corporation shall not be obliged to gross up or increase the amount of such payment which would otherwise be made to take into account such Taxes. Any such Taxes which have been withheld or deducted by the Corporation shall be remitted to the applicable tax authority within the time required for such remittance.

## SCHEDULE C

### NEW INTER PIPELINE CLASS A PREFERRED SHARES

The Class A Preferred Shares in the capital of the Corporation shall be issuable in series and shall have the following rights, privileges, restrictions and conditions:

#### ARTICLE 1

#### INTERPRETATION

1.1 For the purposes of the rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares:

**"Acquisition Proposal"** means (a) the Corporation or the Board of Directors (or any special committee thereof) approving, recommending or authorizing any proposal from, or the entering into of a definitive agreement with, any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) which in either case constitutes, or may reasonably be expected to lead to (in either case in one transaction or a series of transactions): (i) an acquisition or purchase from the Corporation or the securityholders of the Corporation of 20% or more of the voting securities of the Corporation; (ii) a direct or indirect acquisition of 20% or more of the assets, determined by reference to the net book value of the assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of 20% or more of the assets) of the Corporation and its Subsidiaries taken as a whole; (iii) an amalgamation, arrangement, merger or consolidation involving the Corporation or its Subsidiaries; or (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving the Corporation and its Subsidiaries; (b) the approval of the requisite number of holders of voting securities of the Corporation of any proposal which constitutes, or may reasonably be expected to lead to (in one transaction or a series of transactions) an amalgamation, arrangement, merger or consolidation involving the Corporation or its Subsidiaries; or (c) the take-up of and payment for any voting securities of the Corporation pursuant to a "take-over bid" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*); provided that any such transaction solely between or among the Corporation and/or one or more of its Subsidiaries and/or between or among any of its Subsidiaries shall not constitute an "Acquisition Proposal".

**"Act"** means the *Business Corporations Act* (Alberta), as amended, consolidated or reenacted from time to time.

**"Automatic Retraction Date"** has the meaning provided in Section 7.9.

**"Board of Directors"** means the board of directors of the Corporation and any committee thereof acting within its authority.

**"Business Day"** means any day except Saturday, Sunday, any statutory holiday in the Province of Alberta, or any other day on which the principal chartered banks in the City of Calgary are closed for business.

**"Change of Control"** shall be deemed to have occurred if any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) becomes the holder, directly or indirectly, of at least 90% of the Common Shares on a fully-diluted basis.

**"Class A Preferred Shares"** means Class A Preferred Shares in the capital of the Corporation.

**"Class A Put Right"** has the meaning provided in Section 8.1.

**"Class A Retraction Amount"** means, for each Class A Preferred Share and on any applicable date, an amount equal to the aggregate of, without duplication:

- (a) the Current Market Price of one Common Share; provided, however, if the Class A Retraction Amount is being calculated in connection with (i) a Redemption Date established under paragraph (b) of the definition of "Redemption Date" or (ii) the exercise of a Class A Put Right following the establishment of a Redemption Date under paragraph (b) of the definition of "Redemption Date", then in each case the applicable price under this paragraph (a) will be the price paid in respect of each Common Share in connection with the Change of Control; plus
- (b) an additional amount equal to the full amount of all cash dividends declared, payable and unpaid on such Class A Preferred Share; plus
- (c) an additional amount equal to the full amount of all cash dividends and other distributions declared and payable or paid on one Common Share, which have not been declared or paid on Class A Preferred Shares in accordance herewith; plus
- (d) an additional amount equal to the Fair Market Value of the full amount of all non-cash dividends declared, payable and unpaid on such Class A Preferred Share; plus
- (e) an additional amount equal to the Fair Market Value of the full amount of all non-cash dividends and other distributions declared and payable or paid on one Common Share, which have not been declared or paid on Class A Preferred Shares in accordance herewith (and such Common Share dividend or other distribution is deemed to be represented by a Class A Preferred Share cash dividend in an amount equal to the Fair Market Value of the Common Share dividend or other distribution for purposes of the determination of the Class A Retraction Amount).

The Class A Retraction Amount shall be payable in cash by cheque, provided that if a non-cash dividend has been declared and is payable and unpaid on the Class A Preferred Shares as provided in paragraph (d) above, the portion of the Class A Retraction Amount payable by such non-cash dividend shall be paid by the issue, transfer and delivery, as applicable, of property representing such non-cash dividend.

Further, (y) all consideration shall be delivered free and clear of any lien, claim, encumbrance, security interest or adverse claim or interest, and (z) all consideration shall be paid or transferred less any tax required to be deducted and withheld therefrom.

**"Class B Preferred Shares"** means Class B Preferred Shares of the Corporation.

**"Class B Share Provisions"** means the rights, privileges, restrictions and conditions attaching to the Class B Preferred Shares.

**"Common Shares"** means common shares of the Corporation.

**"Corporation"** means Inter Pipeline Ltd., a corporation amalgamated and existing under the Act, and includes any successor corporation.

**"Corporation Dividend Declaration Date"** means the date on which the Board of Directors declares any dividend or other distribution on the Common Shares.

**"Current Market Price"** means, in respect of a Common Share on any date, the weighted average price per share (computed and rounded to the third decimal point) at which Common Shares have traded during the period of 20 consecutive trading days ending on the fifth trading day before such date on the Toronto Stock Exchange, or, if the Common Shares are not then traded on the Toronto Stock Exchange, on such other stock exchange or automated quotation system on which the Common Shares are then listed or

quoted, as may be selected by the Board of Directors for such purpose. The weighted average price per Common Share shall be determined by dividing the aggregate sale price of all Common Shares sold on the applicable stock exchange or automated quotation system during the said 20 trading day period, by the total number of Common Shares sold. For purposes of this definition, "Common Shares" means the Class A limited partnership units of IPF for any trading day in the said 20 trading day period on which the Common Shares were not and such Class A limited partnership units were listed and posted for trading on the Toronto Stock Exchange.

"**Effective Date**" means June 1, 2013.

"**Fair Market Value**" means, in respect of any property, the fair market value thereof as determined by the Board of Directors acting in good faith and in a commercially reasonable manner.

"**IPF**" means Inter Pipeline Fund, a limited partnership formed and previously existing under the *Partnership Act* (Alberta) and includes the Corporation as the successor to the business of Inter Pipeline Fund.

"**Liquidation Amount**" has the meaning provided in Section 6.1.

"**Liquidation Date**" has the meaning provided in Section 6.1.

"**Person**" includes an individual, partnership, corporation, company, unincorporated syndicate or organization, trust, trustee, executor, administrator and other legal representative.

"**Preferred Share Fair Market Value**" means, for each Class A Preferred Share or Class B Preferred Share, as applicable, the highest price, expressed in terms of cash equivalents, at which such Class A Preferred Share or Class B Preferred Share would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

"**Put Closing Date**" has the meaning ascribed thereto in the Support Agreement.

"**Put Notice**" has the meaning ascribed thereto in the Support Agreement.

"**Putco**" means Inter Pipeline Putco Corp., a corporation incorporated and existing under the Act, and includes any successor corporation.

"**Redeemed Shares**" has the meaning provided in Section 9.3.

"**Redemption Date**" means the date, if any, established by the Board of Directors for the redemption by the Corporation of all (and not less than all) of the outstanding Class A Preferred Shares pursuant to Article 9, which date shall be no earlier than June 1, 2038, unless:

- (a) the number of Class A Preferred Shares outstanding (excluding Class A Preferred Shares beneficially owned by the Corporation, Putco or any of their respective Subsidiaries, and as such number of shares may be adjusted as deemed appropriate by the Board of Directors in good faith to give effect to any subdivision or consolidation of or stock dividend on the Class A Preferred Shares, any issue or distribution of other securities or rights or evidences of indebtedness or assets, or any other capital reorganization or other transaction affecting the Class A Preferred Shares) is fewer than 370,584, in which case the Board of Directors may accelerate such redemption date to such date prior to June 1, 2038 as it may determine; or

- (b) a Change of Control occurs, in which case the Board of Directors may accelerate such redemption date to such date prior to June 1, 2038 as it may determine.

In the case of a Change of Control where the consideration received by holders of Common Shares consisted of or included equity securities, the Board of Directors shall only be permitted to establish a Redemption Date in respect of such Change of Control if the holders of Class A Preferred Shares were entitled to participate in such Change of Control on substantially the same terms as the holders of Common Shares (taking into consideration the applicable Class A Retraction Amount on the date of the Change of Control), regardless of whether any holders of Class A Preferred Shares participated in the Change of Control.

**"Redemption Notice"** has the meaning provided in Section 9.2.

**"Redemption Price"** has the meaning provided in Section 9.1.

**"Required Holders"** means, in respect of the Class A Preferred Shares and at any particular time, where there are more than three registered holders of Class A Preferred Shares, at least three of the registered holders of Class A Preferred Shares and, where there are three or less registered holders of Class A Preferred Shares, any one or more of the registered holders of Class A Preferred Shares, in either case holding at least 75% of the then outstanding Class A Preferred Shares (excluding shares held, directly or indirectly and legally or beneficially, by the Corporation, Putco or their respective Subsidiaries or their successors, assigns or transferees), and has the corresponding meaning in respect of the Class B Preferred Shares.

**"Retracted Shares"** has the meaning provided in Section 7.1(a).

**"Retraction Date"** has the meaning provided in Section 7.1(b).

**"Retraction Price"** has the meaning provided in Section 7.1.

**"Retraction Request"** has the meaning provided in Section 7.1.

**"Special Retraction Date"** has the meaning ascribed thereto in the Support Agreement.

**"Specified Reorganization"** has the meaning provided in the Support Agreement.

**"Subsidiary"**, in relation to any Person, means any other Person of which more than 50% of the total voting power of shares of stock or units of ownership or beneficial interest entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such first-mentioned Person.

**"Support Agreement"** means the Put Option and Support Agreement originally between IPF, the Corporation, Putco, Inter Pipeline GP Corp. and the holders of the outstanding Class A Preferred Shares and Class B Preferred Shares on June 1, 2013, and made as of June 1, 2013, as amended, modified or supplemented from time to time thereafter.

**"Tax Act"** means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.).

**"Unpaid Dividends"** means all declared, payable and unpaid, and all undeclared but payable, cash and non-cash dividends in respect of the Class A Preferred Shares as of a specified date.

- 1.2 The division of these share provisions into Articles and Sections and the insertion of headings are for convenience of reference and shall not impact the interpretation of the rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares.

- 1.3 Words importing the singular number include the plural and vice-versa and words importing any gender include all genders.
- 1.4 If any date on which any action is required to be taken is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

## **ARTICLE 2**

### **ISSUANCE IN SERIES**

- 2.1 The Class A Preferred Shares shall be issuable in series designated 1 through 8, which shall be limited in number as set forth below:
- (a) 222,351 Series 1;
  - (b) 222,351 Series 2;
  - (c) 667,051 Series 3;
  - (d) 222,351 Series 4;
  - (e) 370,584 Series 5;
  - (f) 222,351 Series 6;
  - (g) 370,584 Series 7; and
  - (h) 5,114,060 Series 8.

## **ARTICLE 3**

### **RANKING OF CLASS A PREFERRED SHARES**

- 3.1 Each series of Class A Preferred Shares shall rank on parity with every other series of Class A Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.
- 3.2 The Class A Preferred Shares shall rank on parity with the Class B Preferred Shares and shall be entitled to a preference over the Common Shares and any other class of shares of the Corporation with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

## **ARTICLE 4**

### **DIVIDENDS**

- 4.1 A holder of a Class A Preferred Share shall be entitled to receive and the Board of Directors shall, subject to applicable law, on each Corporation Dividend Declaration Date, declare a dividend on each Class A Preferred Share, (a) in the case of a cash dividend or other distribution declared on the Common Shares, in an amount in cash for each Class A Preferred Share equal to the cash dividend or other distribution declared on each Common Share, (b) in the case of a dividend or other distribution declared on the Common Shares to be paid in Common Shares, in an amount in cash based upon the Current Market Price



of the Common Shares on the Corporation Dividend Declaration Date and the number of Common Shares to be distributed on each Common Share, and (c) in the case of a dividend or other distribution declared on the Common Shares in property other than cash or Common Shares (which may include other securities of the Corporation), in such type and amount of property to be distributed on each Common Share, or cash in an amount equal to the Fair Market Value of such property on the Corporation Dividend Declaration Date, as determined by the Board of Directors. The dividend entitlement pursuant to this Section 4.1 shall commence with any Corporation Dividend Declaration Date occurring from and after the Effective Date. Such dividends (less any tax required to be deducted and withheld from such dividends) shall be paid out of money, assets or property of the Corporation properly applicable to the payment of dividends, or out of authorized but unissued shares of the Corporation.

- 4.2 Cheques of the Corporation shall be issued in respect of any cash dividends contemplated by Section 4.1 hereof, and the sending of such a cheque to each holder of a Class A Preferred Share at the address for notice for the holder as provided in the Support Agreement shall satisfy the cash dividends represented thereby unless the cheque is not paid on presentation. Any other type and amount of property in respect of any dividends contemplated by Section 4.1(c) hereof shall be issued, transferred and/or delivered by the Corporation in such manner as the Board of Directors shall determine, and the issuance, transfer and/or delivery thereof by the Corporation to each holder of a Class A Preferred Share shall satisfy the dividend represented thereby. In all cases, any such dividends shall be subject to any reduction or adjustment for withholding tax required to be deducted and withheld from such dividends under the Tax Act, and, if applicable, the Corporation shall be entitled to liquidate some of the property which would otherwise be deliverable in payment of such dividends to a particular holder of Class A Preferred Shares to fund any statutory withholding obligation under the Tax Act.
- 4.3 Subject to the requirements of the Act and the articles and by-laws of the Corporation, the record date for the determination of the holders of Class A Preferred Shares entitled to receive payment of, and the payment date for, any dividend declared on the Class A Preferred Shares under Section 4.1 hereof shall be the same dates as the record date and payment date, respectively, for the corresponding dividend or other distribution declared on the Common Shares. In the event that the requirements of applicable law or the articles and by-laws of the Corporation prevent the record date and the payment date of a dividend payable under Section 4.1 from conforming to the record date and payment date for a dividend or other distribution on Common Shares, the Corporation shall use its reasonable efforts to cause the payment date for the Corporation dividend to be on or before the payment date for the applicable Common Share dividend or other distribution.
- 4.4 If on any payment date for any dividends declared on the Class A Preferred Shares under Section 4.1 hereof the dividends are not paid in full on all of the Class A Preferred Shares then outstanding, any such dividends which remain unpaid shall be paid on a subsequent date or dates determined by the Board of Directors on which the Corporation shall have sufficient moneys, assets or property properly applicable to the payment of such dividends.
- 4.5 Except as provided in this Article 4, the holders of Class A Preferred Shares shall not be entitled to receive dividends in respect thereof.
- 4.6 Payment of the Class A Retraction Amount shall satisfy in full all Unpaid Dividends relating to the Class A Preferred Shares in respect of which the Class A Retraction Amount is paid.
- 4.7 The Corporation shall take all necessary steps to designate the full amount of all dividends that it pays or that it is deemed to pay as "eligible dividends" within the meaning of subsection 89(1) of the Tax Act, to the extent that such dividends or deemed dividends, as the case may be, exceed the amount of the Corporation's "low rate income pool", as defined in the Tax Act.

## ARTICLE 5

### CERTAIN RESTRICTIONS

- 5.1 So long as any of the Class A Preferred Shares are outstanding, the Corporation shall not at any time without, but may at any time with, the approval of the holders of the Class A Preferred Shares given as specified in Article 11 of these share provisions:
- (a) pay any dividends on the Common Shares or any other shares ranking junior to the Class A Preferred Shares, other than stock dividends payable in any such other shares ranking junior to the Class A Preferred Shares with respect to the payment of dividends;
  - (b) redeem or purchase or make any capital distribution in respect of the Common Shares or any other shares ranking junior to the Class A Preferred Shares with respect to distribution on liquidation, distribution or winding-up of the Corporation;
  - (c) pay any dividends on the Class B Preferred Shares or any other shares ranking on a parity with the Class A Preferred Shares with respect to the payment of dividends; and
  - (d) redeem or purchase or make any capital distribution in respect of the Class B Preferred Shares or any other shares ranking on a parity with the Class A Preferred Shares with respect to distribution on liquidation, distribution or winding-up of the Corporation.

The above restrictions shall not apply if all dividends on the outstanding Class A Preferred Shares corresponding to dividends or other distributions declared on Common Shares with a record date on or following the Effective Date (or as otherwise provided in Section 4.1) shall have been declared on the Class A Preferred Shares and paid in full; provided that dividends may be declared and paid on the Class B Preferred Shares before all dividends on the Class A Preferred Shares have been declared and paid in full, if dividends are paid rateably on such classes of shares, based upon the aggregate amount of all declared and unpaid dividends on the Class A Preferred Shares then outstanding, and the aggregate amount of all declared and unpaid dividends on the Class B Preferred Shares then outstanding.

## ARTICLE 6

### DISTRIBUTION ON LIQUIDATION

- 6.1 In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, a holder of a Class A Preferred Share shall be entitled to receive from the assets of the Corporation in respect of each Class A Preferred Share held by such holder on the effective date of such liquidation, dissolution or winding-up (the "Liquidation Date"), before any distribution of any part of the assets of the Corporation to the holders of the Common Shares or any other shares ranking junior to the Class A Preferred Shares, and subject to the rights of the holders of the Class B Preferred Shares which rank on a parity with the Class A Preferred Shares upon such a distribution (on the basis provided herein), an amount equal to the Class A Retraction Amount applicable on the Liquidation Date (the "Liquidation Amount") in accordance with Section 6.2, which, as set forth in Section 6.2, shall be fully paid and satisfied by the payment and delivery by the Corporation of consideration representing the Class A Retraction Amount, or a rateable portion thereof (and both cash and non-cash items forming part of the consideration representing the Class A Retraction Amount shall be appropriately pro-rated).
- 6.2 On or promptly after the Liquidation Date, (a) if there are sufficient assets to pay the total Liquidation Amount on all Class A Preferred Shares, as well as the total Liquidation Amount (as defined in Section 6.1 of the Class B Share Provisions) on the Class B Preferred Shares, the Corporation shall cause to be paid and delivered to the holders of the Class A Preferred Shares the Liquidation Amount for each such Class A

Preferred Share; and (b) if there are insufficient assets to pay the total Liquidation Amount of the Class A Preferred Shares, as well as the total Liquidation Amount (as defined in Section 6.1 of the Class B Share Provisions) on the Class B Preferred Shares, the Corporation shall cause to be paid and delivered to the holders of the Class A Preferred Shares an amount equal to a rateable proportion of the total Liquidation Amount of all Class A Preferred Shares held by them and holders of Class B Preferred Shares shall be entitled to receive the same rateable proportion of their total Liquidation Amount, as provided in Section 6.1 of the Class B Share Provisions. In each case, the Liquidation Amount (or rateable proportion thereof) shall be delivered upon presentation and surrender of the certificates representing such Class A Preferred Shares at the registered office of the Corporation. Payment of the Liquidation Amount (or rateable portion thereof) for such Class A Preferred Shares shall be made by delivery to each holder, at the address for notice for the holder as provided in the Support Agreement, or by holding for pick up by the holder at the address for notice for the Corporation as provided in the Support Agreement, of the Liquidation Amount (or rateable portion thereof) representing such holder's entitlement as provided above. On and after the Liquidation Date, the holders of the Class A Preferred Shares shall cease to be holders of such Class A Preferred Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive their proportionate part of the total Liquidation Amount, unless payment and delivery of the total Liquidation Amount (or rateable portion thereof) for Class A Preferred Shares shall not be made upon presentation and surrender of share certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Liquidation Amount (or rateable portion thereof) has been paid and delivered in the manner hereinbefore provided. The Corporation shall have the right at any time on or after the Liquidation Date to deposit or cause to be deposited consideration representing the total Class A Retraction Amount in respect of the Class A Preferred Shares represented by certificates that have not, at the Liquidation Date, been surrendered by the holders thereof in a custodial account or for safe keeping, in the case of non-cash items, with any chartered bank or trust company in Canada. Upon such deposit being made, the rights of the holders of the Class A Preferred Shares after such deposit shall be limited to receiving their proportionate part of the total Liquidation Amount (or rateable portion thereof) for such Class A Preferred Shares so deposited, against presentation and surrender of the said certificates held by them, in accordance with the foregoing provisions.

- 6.3 After the Corporation has satisfied its obligations to pay the holders of the Class A Preferred Shares the Liquidation Amount per Class A Preferred Share, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.
- 6.4 The Corporation shall give written notice to the holders of Class A Preferred Shares of any Liquidation Date. In the case of a voluntary liquidation, distribution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs that has been approved by the shareholders as required under applicable law, such notice shall be given at least 60 days before the proposed Liquidation Date. In the case of any other liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, such notice shall be given as far in advance of the anticipated Liquidation Date as reasonably practicable in the circumstances, and in any event, not less than five Business Days before the anticipated Liquidation Date.

## ARTICLE 7

### RETRACTION OF CLASS A PREFERRED SHARES BY HOLDER

- 7.1 A holder of Class A Preferred Shares shall be entitled, from time to time, subject to applicable law and otherwise upon compliance with the provisions of this Article 7, to require the Corporation to redeem any or all of the Class A Preferred Shares registered in the name of such holder for an amount equal to the Class A Retraction Amount applicable on the Business Day of delivery of the Retraction Request to the address for notice for the Corporation as provided in the Support Agreement (the "Retraction Price"), such payment to be made as further provided in Section 7.3. To effect such redemption, the holder shall present and surrender at the address for notice for the Corporation as provided in the Support Agreement the certificate

or certificates representing the Class A Preferred Shares which the holder desires to have the Corporation redeem, together with such other documents and instruments as may be required to effect a transfer of the Class A Preferred Shares under applicable law and the articles and by-laws of the Corporation, and together with a duly executed statement (the "Retraction Request") in the form of Appendix "A" hereto or in such other form as may be acceptable to the Corporation, acting reasonably:

- (a) specifying that the holder desires to have all or any number specified therein of the Class A Preferred Shares represented by such certificate or certificates (the "Retracted Shares") redeemed by the Corporation; and
  - (b) stating the Business Day on which the holder desires to have the Corporation redeem the Retracted Shares (the "Retraction Date"), provided that the Retraction Date shall be not earlier than the 20th Business Day after the date on which the Retraction Request is received by the Corporation, and further provided that in the event that no such Business Day is specified by the holder in the Retraction Request, the Retraction Date shall be deemed to be the 20th Business Day after the date on which the Retraction Request is received by the Corporation, and further provided that the Corporation and the applicable holder may thereafter agree to a different Retraction Date than the Business Day specified in the Retraction Request, and such agreed date shall thereafter be deemed to be the applicable Retraction Date hereunder.
- 7.2 Upon receipt by the Corporation in the manner specified in Section 7.1 hereof of a certificate or certificates representing the number of Class A Preferred Shares which the holder desires to have the Corporation redeem, together with a Retraction Request, the Corporation shall redeem the Retracted Shares effective at the close of business on the Retraction Date and shall cause to be delivered to such holder the total Retraction Price with respect to such shares in accordance with Section 7.3 hereof. If only a part of the Class A Preferred Shares represented by any certificate are redeemed, a new certificate for the balance of such Class A Preferred Shares shall be issued to the holder at the expense of the Corporation.
- 7.3 Subject to receipt by the Corporation of a Retraction Request, the Corporation shall deliver to the relevant holder, at the address for notice for the holder as specified in the Support Agreement or at the address specified in the holder's Retraction Request or by holding for pick up by the holder at the address for notice to the Corporation as specified in the Support Agreement, as may be specified in the Retraction Request, the consideration representing the total Retraction Price, and such delivery of consideration representing the total Retraction Price to the holder shall be deemed to be payment of and shall satisfy and discharge all liability for the total Retraction Price except as to any cheque included therein which is not paid on due presentation.
- 7.4 On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive such holder's total Retraction Price unless after presentation and surrender of certificates in accordance with the foregoing provisions, payment of the total Retraction Price shall not be made, in which case the rights of such holder shall remain unaffected until consideration representing the total Retraction Price has been paid.
- 7.5 Notwithstanding any other provision of this Article 7, the Corporation shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to liquidity or solvency requirements or other provisions of applicable law. If the Corporation believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption in respect of such date, the Corporation shall only be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent of the maximum number that may be so redeemed (rounded down to a whole number of shares) as would not be contrary to such provisions and shall notify the holder at least two Business Days prior to the Retraction Date as to the number of Retracted Shares which will not be redeemed by the Corporation. In any case in which the redemption by the Corporation of Retracted Shares would be contrary to liquidity or

solvency requirements or other provisions of applicable law, the Corporation shall redeem Retracted Shares in accordance with Section 7.2 of these share provisions on a pro rata basis. The holder of any such Retracted Shares not redeemed by the Corporation pursuant to Section 7.2 hereof as a result of liquidity or solvency requirements or applicable law shall be deemed by giving the Retraction Request to require Putco to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by Putco to such holder of the Retraction Price for each such Retracted Share, as further provided in Section 7.6, and Putco shall make such purchase.

- 7.6 For purposes of completing the purchase by Putco of Retracted Shares as provided in Section 7.5, Putco shall deposit with the Corporation (as paying agent) on the Retraction Date or as soon as reasonably practicable thereafter, consideration representing the total Retraction Price of the Retracted Shares to be so purchased. Closing of the purchase and sale shall be deemed to have occurred at the close of business on the later of the Retraction Date and the date of such deposit. The Corporation (as paying agent) shall deliver to the relevant holder at the address for notice to the holder as provided in the Support Agreement or at the address specified in the holder's Retraction Request or by holding for pick up by the holder at the registered office of the Corporation, as may be specified in the Retraction Request, the consideration representing the total applicable Retraction Price, and such delivery of such consideration shall be deemed to be payment of and shall satisfy and discharge all liability for the total applicable Retraction Price, except as to any cheque included therein which is not paid on due presentation.
- 7.7 Notwithstanding any other provisions of this Article 7, at any time after the giving of a Put Notice by a holder of Class A Preferred Shares and prior to the Put Closing Date to which such Put Notice relates, the holder may, at its sole election, by delivering a notice in writing to Putco and the Corporation, deem such Put Notice to be a Retraction Request, in which case the Corporation shall accept and shall be deemed to have accepted such Put Notice as a Retraction Request and shall redeem the Class A Preferred Shares to which such Put Notice relates in accordance with the provisions of this Article 7 for an amount equal to the Class A Retraction Amount applicable on the Business Day of delivery of the Put Notice; provided, however, the Retraction Date for purposes of this Section 7.7 shall be the applicable Put Closing Date.
- 7.8 Notwithstanding any other provisions of this Article 7, at any time after a holder of Class A Preferred Shares has received notice of a Specified Reorganization and prior to 5:00 p.m. (Calgary time) on the Business Day (the "Automatic Retraction Date") immediately prior to the effective date of such Specified Reorganization, the holder may at its option determine to immediately retract any or all of its Class A Preferred Shares by delivering a Retraction Request to the address for notice for the Corporation as provided in the Support Agreement at any time before 5:00 p.m. (Calgary time) on the Automatic Retraction Date, in which case the Corporation shall forthwith issue an instrument in writing to such holder acknowledging its obligation to pay such holder the aggregate Class A Retraction Amount applicable on the Business Day of delivery of such Retraction Request within 20 days thereof and shall redeem the Class A Preferred Shares to which such Retraction Request relates in accordance with the provisions of this Article 7 for such Class A Retraction Amount and such retraction shall be deemed for all purposes to have been effective on the Automatic Retraction Date.

## **ARTICLE 8**

### **CLASS A PUT RIGHT**

- 8.1 Upon and subject to the terms and conditions contained in the Support Agreement:
- (a) a holder of Class A Preferred Shares shall have the right (the "Class A Put Right"), from time to time, to require Putco to purchase all or any part of the Class A Preferred Shares of the holder, provided that in connection with the liquidation, dissolution or winding-up of the Corporation, the Class A Put Right must be exercised by a holder by no later than the Business Day before any Liquidation Date.

- (b) upon the exercise by the holder of the Class A Put Right, the holder shall be required to sell to Putco, and Putco shall be required to purchase from the holder, that number of Class A Preferred Shares in respect of which the Class A Put Right is exercised, in consideration of the payment by Putco of the Preferred Share Fair Market Value applicable thereto (which shall be the Preferred Share Fair Market Value applicable on the Business Day of exercise of the Class A Put Right), as further provided in the Support Agreement.
- 8.2 The exercise of the Class A Put Right and the completion of any sale and purchase pursuant to the Class A Put Right shall occur on the terms and conditions described in the Support Agreement.
- 8.3 If only a part of the Class A Preferred Shares represented by any certificate are to be sold and purchased pursuant to the exercise of the Class A Put Right, a new certificate for the balance of such Class A Preferred Shares shall be issued to the holder at the expense of the Corporation.

## ARTICLE 9

### REDEMPTION OF CLASS A PREFERRED SHARES BY THE CORPORATION

- 9.1 Subject to applicable law and the right of each holder of Class A Preferred Shares to exercise the Class A Put Right, on the Redemption Date the Corporation shall redeem all (and not less than all) of the then outstanding Class A Preferred Shares for an amount per share equal to the Class A Retraction Amount applicable on the Business Day immediately before the Redemption Date (the "**Redemption Price**"), such payment to be made as further provided in Section 9.3.
- 9.2 In any case of a redemption of Class A Preferred Shares under this Article 9, the Corporation shall send or cause to be sent to each holder of Class A Preferred Shares a notice in writing of the redemption by the Corporation of the Class A Preferred Shares held by such holder (the "Redemption Notice"). The Redemption Notice shall set out the formula for determining the Redemption Price, the Redemption Date and the requirements to exercise the Class A Put Right. The Redemption Notice shall be sent:
- (a) in the case of a Redemption Date established under paragraph (b) of the definition of "Redemption Date", at least 15 days before the Redemption Date; and
  - (b) in the case of any other Redemption Date, at least 60 days before the Redemption Date.
- 9.3 On the Redemption Date, and subject to the exercise by any holder of the Class A Put Right, the Corporation shall cause the Redemption Price for each Class A Preferred Share to be delivered to the holders of the Class A Preferred Shares to be redeemed (the "Redeemed Shares") at the address for notice for such holders as provided in the Support Agreement upon presentation and surrender of the Redeemed Shares at the address for notice for the Corporation as provided in the Support Agreement.
- 9.4 On and after the Redemption Date, the holders of the Redeemed Shares shall cease to be holders of such shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive their proportionate part of the total Redemption Price, unless payment of such holder's proportionate share of the total Redemption Price shall not be made upon such holder's presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of such holder shall remain unaffected until such holder's proportionate share of the total Redemption Price has been paid to such holder.
- 9.5 Notwithstanding any proposed redemption of the Class A Preferred Shares by the Corporation, each holder of Class A Preferred Shares shall have the right to exercise the Class A Put Right at any time up to and including the Business Day prior to the Redemption Date. Upon the due exercise of the Class A Put Right on or before the Business Day prior to the Redemption Date as required above, any proposed redemption

by the Corporation will automatically terminate with respect to such holder, and the completion of the sale and purchase shall occur in accordance with the terms and conditions described in the Support Agreement.

**ARTICLE 10**

**VOTING RIGHTS**

- 10.1 The holders of the Class A Preferred Shares shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation except as required by applicable law.

**ARTICLE 11**

**AMENDMENT AND APPROVAL**

- 11.1 The rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares may be added to, changed or removed but, except as hereinafter provided, only with the approval of the Required Holders of the Class A Preferred Shares given as hereinafter specified.
- 11.2 Any approval given by the holders of the Class A Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Class A Preferred Shares or any other matter requiring the approval or consent of the holders of the Class A Preferred Shares under applicable law shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by a resolution passed by the Required Holders by instrument in writing or by Persons represented in person or by proxy at a meeting of holders of Class A Preferred Shares (excluding Class A Preferred Shares beneficially owned by the Corporation or Putco or any of their respective Subsidiaries) duly called and held at which the holders of at least 75% of the outstanding Class A Preferred Shares at that time are present or represented by proxy.

**ARTICLE 12**

**RECIPROCAL CHANGES, ETC. IN RESPECT OF COMMON SHARES**

- 12.1 If the Corporation:
- (a) subdivides, redivides or changes the then outstanding Common Shares into a greater number of Common Shares; or
  - (b) reduces, combines or consolidates or changes the then outstanding Common Shares into a lesser number of Common Shares; or
  - (c) reclassifies or otherwise changes the Common Shares or effects an amalgamation, merger, reorganization or other transaction involving or affecting the Common Shares,

then the same change, mutatis mutandis, will simultaneously be made to, or in the rights of the holders of, the Class A Preferred Shares, as determined by the Board of Directors acting in good faith.

**ARTICLE 13**

**LEGEND**

- 13.1 The certificates evidencing the Class A Preferred Shares shall contain or have affixed thereto a legend, in form and on terms approved by the Board of Directors, with respect to the Support Agreement.

**ARTICLE 14**

**MISCELLANEOUS**

- 14.1 Except where otherwise provided herein, any notice, request or other communication to be given to the Corporation or Putco by a holder of Class A Preferred Shares shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by facsimile or by delivery to the address for notice to the Corporation or Putco, as applicable, as provided in the Support Agreement. Any such notice, request or other communication, shall only be deemed to have been given and received upon actual receipt thereof by the Corporation or Putco, as applicable.
- 14.2 Except where otherwise provided herein, any presentation and surrender by a holder of Class A Preferred Shares to the Corporation of certificates representing Class A Preferred Shares in connection with the liquidation, dissolution or winding-up of the Corporation or the retraction, redemption or sale of Class A Preferred Shares shall be made by registered mail (postage prepaid) or by delivery to the address for notice to the Corporation as provided in the Support Agreement. Any such presentation and surrender of certificates shall only be deemed to have been made and to be effective upon actual receipt thereof by the Corporation, and the method of any such presentation and surrender of certificates shall be at the sole risk of the holder.
- 14.3 Except where otherwise provided herein, any notice, request or other communication to be given to a holder of Class A Preferred Shares by or on behalf of the Corporation or Putco shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by delivery to the address for notice to the holder as provided in the Support Agreement. Any such notice, request or other communication, shall only be deemed to have been given or received upon actual receipt thereof by the holder.
- 14.4 For greater certainty, any payments to the holders of Class A Preferred Shares shall be net of applicable taxes, if any, and the payor shall not be obliged to gross up or increase the amount of such payment which would otherwise be made to take into account such taxes. Any such taxes which have been withheld or deducted by the payor thereof shall be remitted to the applicable tax authority within the time required for such remittance.
- 14.5 For the purposes of subsection 191(4) of the *Income Tax Act* (Canada) the "specified amount" in respect of each Class A Preferred Share shall be \$21.75.



## SCHEDULE D

### NEW INTER PIPELINE CLASS B PREFERRED SHARES

The Class B Preferred Shares in the capital of the Corporation shall be issuable in series and shall have the following rights, privileges, restrictions and conditions:

#### ARTICLE 1

#### INTERPRETATION

1.1 For the purposes of the rights, privileges, restrictions and conditions attaching to the Class B Preferred Shares:

**"Acquisition Proposal"** means (a) the Corporation or the Board of Directors (or any special committee thereof) approving, recommending or authorizing any proposal from, or the entering into of a definitive agreement with, any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) which in either case constitutes, or may reasonably be expected to lead to (in either case in one transaction or a series of transactions): (i) an acquisition or purchase from the Corporation or the securityholders of the Corporation of 20% or more of the voting securities of the Corporation; (ii) a direct or indirect acquisition of 20% or more of the assets, determined by reference to the net book value of the assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of 20% or more of the assets) of the Corporation and its Subsidiaries taken as a whole; (iii) an amalgamation, arrangement, merger or consolidation involving the Corporation or its Subsidiaries; or (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving the Corporation and its Subsidiaries; (b) the approval of the requisite number of holders of voting securities of the Corporation of any proposal which constitutes, or may reasonably be expected to lead to (in one transaction or a series of transactions) an amalgamation, arrangement, merger or consolidation involving the Corporation or its Subsidiaries; or (c) the take-up of and payment for any voting securities of the Corporation pursuant to a "take-over bid" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*); provided that any such transaction solely between or among the Corporation and/or one or more of its Subsidiaries and/or between or among any of its Subsidiaries shall not constitute an "Acquisition Proposal".

**"Act"** means the *Business Corporations Act* (Alberta), as amended, consolidated or reenacted from time to time.

**"Automatic Retraction Date"** has the meaning provided in Section 7.9.

**"Board of Directors"** means the board of directors of the Corporation and any committee thereof acting within its authority.

**"Business Day"** means any day except Saturday, Sunday, any statutory holiday in the Province of Alberta, or any other day on which the principal chartered banks in the City of Calgary are closed for business.

**"Change of Control"** shall be deemed to have occurred if any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) becomes the holder, directly or indirectly, of at least 90% of the Common Shares on a fully-diluted basis.

**"Class A Preferred Shares"** means Class A Preferred Shares of the Corporation.

**"Class A Share Provisions"** means the rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares.

**"Class B Preferred Shares"** means Class B Preferred Shares of the Corporation.

**"Class B Put Right"** has the meaning provided in Section 8.1.

**"Class B Retraction Amount"** means, for each Class B Preferred Share and on any applicable date, an amount equal to the aggregate of, without duplication:

- (a) the Current Market Price of one Common Share; provided, however, if the Class B Retraction Amount is being calculated in connection with (i) a Redemption Date established under paragraph (b) of the definition of "Redemption Date" or (ii) the exercise of a Class B Put Right following the establishment of a Redemption Date under paragraph (b) of the definition of "Redemption Date", then in each case the applicable price under this paragraph (a) will be the price paid in respect of each Common Share in connection with the Change of Control; plus
- (b) an additional amount equal to the full amount of all cash dividends declared, payable and unpaid on such Class B Preferred Share; plus
- (c) an additional amount equal to the full amount of all cash dividends and other distributions declared and payable or paid on one Common Share on or after the Class B Retraction Availability Date, which have not been declared or paid on Class B Preferred Shares in accordance herewith; plus
- (d) an additional amount equal to the Fair Market Value of the full amount of all non-cash dividends declared, payable and unpaid on such Class B Preferred Share; plus
- (e) an additional amount equal to the Fair Market Value of the full amount of all non-cash dividends and other distributions declared and payable or paid on one Common Share on or after the Class B Retraction Availability Date, which have not been declared or paid on Class B Preferred Shares in accordance herewith (and such Common Share dividend or other distribution is deemed to be represented by a Class B Preferred Share cash dividend in an amount equal to the Fair Market Value of the Common Share dividend or other distribution for purposes of the determination of the Class B Retraction Amount); plus
- (f) an additional amount equal to the amount of any Excess Dividends paid by the Corporation in cash prior to the Class B Retraction Availability Date and the Fair Market Value of all non-cash dividends or other distributions constituting Excess Dividends made by the Corporation prior to the Class B Retraction Availability Date, in each case increased by the interest that would have accrued thereon from the date paid by the Corporation to the date on which the Class B Retraction Amount is being determined if interest thereon were to be calculated monthly at the nominal annual rate declared from time to time by Canadian Imperial Bank of Commerce to be its prime rate for Canadian dollar commercial loans made in Canada,

provided that if the Class B Retraction Availability Date occurs by reason of the occurrence of the Outside Date, then the Class B Retraction Amount shall be reduced, and shall equal the product of (y) the amount as otherwise determined above, multiplied by (z) the Reduction Factor.

The Class B Retraction Amount shall be payable in cash by cheque, provided that if a non-cash dividend has been declared and is payable and unpaid on the Class B Preferred Shares as provided in paragraph (d) above, the portion of the Class B Retraction Amount payable by such non-cash dividend shall be paid by the issue, transfer and delivery, as applicable, of property representing such non-cash dividend (reduced as provided above, if applicable).

Further, (y) all consideration shall be delivered free and clear of any lien, claim, encumbrance, security interest or adverse claim or interest, and (z) all consideration shall be paid or transferred less any tax required to be deducted and withheld therefrom.

**"Class B Retraction Availability Date"** means the date of the earliest to occur of:

- (a) an Acquisition Proposal;
- (b) the Board of Directors, the Corporation or Putco proposing or taking any formal steps to implement or recommend a Specified Reorganization or, if any other person proposes a Specified Reorganization, such Specified Reorganization receiving any corporate or securityholder approval;
- (c) either of the Corporation or Putco committing a material breach of its obligations under the Support Agreement or under the provisions hereof and such breach continues for 10 Business Days after written notice of such breach is given to each of them by the Required Holders;
- (d) the Class B Trigger Date;
- (e) a Change of Control; and
- (f) the Outside Date.

**"Class B Trigger Date"** means the earlier to occur of:

- (a) the earliest date on which both of the following conditions has been met:
  - (i) under the Bitumen Blend Transportation Services Agreement dated March 26, 2013 between IPF and FCCL Partnership, IPF has begun to receive (or become entitled to receive) either the FCCL Fees or the ACF (in each case as defined as therein and collectively referred to herein as the "Bitumen Fees"); and
  - (ii) under the Condensate Transportation Services Agreement dated March 26, 2013 between IPF and FCCL Partnership, IPF has begun to receive (or become entitled to receive) FCCL Fees or the ACF (in each case as defined therein and collectively referred to herein as the "Condensate Fees"); and
- (b) any acquisition or purchase from IPF or its Subsidiaries (whether of voting securities or assets or by lease, long term supply agreement or otherwise) that has had or would have the effect of transferring IPF's entitlement to receive the Bitumen Fees or Condensate Fees prior to the conditions in clause (a) of this definition being met.

**"Common Shares"** means common shares of the Corporation.

**"Corporation"** means Inter Pipeline Ltd., a corporation amalgamated and existing under the Act, and includes any successor corporation.

**"Corporation Dividend Declaration Date"** means the date on which the Board of Directors declares any dividend or other distribution on the Common Shares.

**"Current Market Price"** means, in respect of a Common Share on any date, the weighted average price per share (computed and rounded to the third decimal point) at which Common Shares have traded during the period of 20 consecutive trading days ending on the fifth trading day before such date on the Toronto Stock Exchange, or, if the Common Shares are not then traded on the Toronto Stock Exchange, on such other stock exchange or automated quotation system on which the Common Shares are then listed or

quoted, as may be selected by the Board of Directors for such purpose. The weighted average price per Common Share shall be determined by dividing the aggregate sale price of all Common Shares sold on the applicable stock exchange or automated quotation system during the said 20 trading day period, by the total number of Common Shares sold. For purposes of this definition, "Common Shares" means the Class A limited partnership units of IPF for any trading day in the said 20 trading day period on which the Common Shares were not and such Class A limited partnership units were listed and posted for trading on the Toronto Stock Exchange.

"**Excess Dividends**" means in respect of any calendar year, any dividends or other distributions declared by the Corporation other than ordinary course cash dividends on the Common Shares. (Items to be considered in determining whether a dividend is in the ordinary course include the amount of dividends previously paid and the expected future cash from operations on a consolidated basis.)

"**Fair Market Value**" means, in respect of any property, the fair market value thereof as determined by the Board of Directors acting in good faith and in a commercially reasonable manner.

"**IPF**" means Inter Pipeline Fund, a limited partnership formed and previously existing under the *Partnership Act* (Alberta) and includes the Corporation as the successor to the business of Inter Pipeline Fund.

"**Liquidation Amount**" has the meaning provided in Section 6.1.

"**Liquidation Date**" has the meaning provided in Section 6.1.

"**Outside Date**" means January 1, 2017.

"**Person**" includes an individual, partnership, corporation, company, unincorporated syndicate or organization, trust, trustee, executor, administrator and other legal representative.

"**Preferred Share Fair Market Value**" means, for each Class A Preferred Share or Class B Preferred Share, as applicable, the highest price, expressed in terms of cash equivalents, at which such Class A Preferred Share or Class B Preferred Share would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

"**Put Closing Date**" has the meaning ascribed thereto in the Support Agreement.

"**Put Notice**" has the meaning ascribed thereto in the Support Agreement.

"**Putco**" means Inter Pipeline Putco Corp., a corporation incorporated and existing under the Act, and includes any successor corporation.

"**Redeemed Shares**" has the meaning provided in Section 9.3.

"**Redemption Date**" means the date, if any, established by the Board of Directors for the redemption by the Corporation of all (and not less than all) of the outstanding Class B Preferred Shares pursuant to Article 9, which date shall be no earlier than June 1, 2038, unless:

- (a) the number of Class B Preferred Shares outstanding (excluding Class B Preferred Shares beneficially owned by the Corporation, Putco or any of their respective Subsidiaries, and as such number of shares may be adjusted as deemed appropriate by the Board of Directors in good faith to give effect to any subdivision or consolidation of or stock dividend on the Class B Preferred Shares, any issue or distribution of other securities or rights or evidences of indebtedness or assets,

or any other capital reorganization or other transaction affecting the Class B Preferred Shares) is fewer than 352,770, in which case the Board of Directors may accelerate such redemption date to such date prior to June 1, 2038 as it may determine; or

- (b) a Change of Control occurs, in which case the Board of Directors may accelerate such redemption date to such date prior to June 1, 2038 as it may determine.

In the case of a Change of Control where the consideration received by holders of Common Shares consisted of or included equity securities, the Board of Directors shall only be permitted to establish a Redemption Date in respect of such Change of Control if the holders of Class B Preferred Shares were entitled to participate in such Change of Control on substantially the same terms as the holders of Common Shares (taking into consideration the applicable Class B Retraction Amount on the date of the Change of Control), regardless of whether any holders of Class B Preferred Shares participated in the Change of Control.

**"Redemption Notice"** has the meaning provided in Section 9.2.

**"Redemption Price"** has the meaning provided in Section 9.1.

**"Reduction Factor"** means  $70/170$ , which for purposes of these share provisions shall be expressed as a fraction with a numerator calculated to five decimal places and a denominator of one.

**"Required Holders"** means, in respect of the Class B Preferred Shares and at any particular time, where there are more than three registered holders of Class B Preferred Shares, at least three of the registered holders of Class B Preferred Shares and, where there are three or less registered holders of Class B Preferred Shares, any one or more of the registered holders of Class B Preferred Shares, in either case holding at least 75% of the then outstanding Class B Preferred Shares (excluding shares held, directly or indirectly and legally or beneficially, by the Corporation, Putco or their respective Subsidiaries or their successors, assigns or transferees), and has the corresponding meaning in respect of the Class A Preferred Shares.

**"Retracted Shares"** has the meaning provided in Section 7.1(a).

**"Retraction Date"** has the meaning provided in Section 7.1(b).

**"Retraction Price"** has the meaning provided in Section 7.1.

**"Retraction Request"** has the meaning provided in Section 7.1.

**"Special Retraction Date"** has the meaning ascribed thereto in the Support Agreement.

**"Specified Reorganization"** has the meaning provided in the Support Agreement.

**"Subsidiary"**, in relation to any Person, means any other Person of which more than 50% of the total voting power of shares of stock or units of ownership or beneficial interest entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such first-mentioned Person.

**"Support Agreement"** means the Put Option and Support Agreement originally between IPF, the Corporation, Putco, Inter Pipeline GP Corp. and the holders of the outstanding Class A Preferred Shares and Class B Preferred Shares on June 1, 2013, and made as of June 1, 2013, as amended, modified or supplemented from time to time thereafter.

**"Tax Act"** means the Income Tax Act, R.S.C. 1985, c. 1 (5th Supp.).

**"Unpaid Dividends"** means all declared, payable and unpaid, and all undeclared but payable, cash and non-cash dividends in respect of the Class B Preferred Shares as of a specified date.

- 1.2 The division of these share provisions into Articles and Sections and the insertion of headings are for convenience of reference and shall not impact the interpretation of the rights, privileges, restrictions and conditions attaching to the Class B Preferred Shares.
- 1.3 Words importing the singular number include the plural and vice-versa and words importing any gender include all genders.
- 1.4 If any date on which any action is required to be taken is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

## **ARTICLE 2**

### **ISSUANCE IN SERIES**

- 2.1 The Class B Preferred Shares shall be issuable in series designated 1 through 8, which shall be limited in number as set forth below:
- (a) 211,662 Series 1;
  - (b) 211,662 Series 2;
  - (c) 634,987 Series 3;
  - (d) 211,662 Series 4;
  - (e) 352,770 Series 5;
  - (f) 211,662 Series 6;
  - (g) 352,770 Series 7; and
  - (h) 4,868,231 Series 8.

## **ARTICLE 3**

### **RANKING OF CLASS B PREFERRED SHARES**

- 3.1 Each series of Class B Preferred Shares shall rank on parity with every other series of Class B Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.
- 3.2 The Class B Preferred Shares shall rank on parity with the Class A Preferred Shares and shall be entitled to a preference over the Common Shares and any other class of shares of the Corporation with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

**ARTICLE 4****DIVIDENDS**

- 4.1 A holder of a Class B Preferred Share shall not be entitled to receive dividends in respect thereof prior to the Class B Retraction Availability Date. A holder of a Class B Preferred Share shall be entitled to receive and the Board of Directors shall, subject to applicable law, on each Corporation Dividend Declaration Date occurring on or after the Class B Retraction Availability Date, declare a dividend on each Class B Preferred Share, (a) in the case of a cash dividend or other distribution declared on the Common Shares, in an amount in cash for each Class B Preferred Share equal to the cash dividend or other distribution declared on each Common Share, (b) in the case of a dividend or other distribution declared on the Common Shares to be paid in Common Shares, in an amount in cash based upon the Current Market Price of the Common Shares on the Corporation Dividend Declaration Date and the number of Common Shares to be distributed on each Common Share, and (c) in the case of a dividend or other distribution declared on the Common Shares in property other than cash or Common Shares (which may include other securities of the Corporation), in such type and amount of property to be distributed on each Common Share, or cash in an amount equal to the Fair Market Value of such property on the Corporation Dividend Declaration Date, as determined by the Board of Directors; provided that if the Class B Retraction Availability Date occurs by reason of the occurrence of the Outside Date, then each component of the dividends on the Class B Preferred Shares as provided above shall be reduced, and shall equal the product of: (y) the amount of such component as otherwise determined above, multiplied by (z) the Reduction Factor. Such dividends (less any tax required to be deducted and withheld from such dividends) shall be paid out of money, assets or property of the Corporation properly applicable to the payment of dividends, or out of authorized but unissued shares of the Corporation.
- 4.2 Cheques of the Corporation shall be issued in respect of any cash dividends contemplated by Section 4.1 hereof, and the sending of such a cheque to each holder of a Class B Preferred Share at the address for notice for the holder as provided in the Support Agreement shall satisfy the cash dividends represented thereby unless the cheque is not paid on presentation. Any other type and amount of property in respect of any dividends contemplated by Section 4.1(c) hereof shall be issued, transferred and/or delivered by the Corporation in such manner as the Board of Directors shall determine, and the issuance, transfer and/or delivery thereof by the Corporation to each holder of a Class B Preferred Share shall satisfy the dividend represented thereby. In all cases, any such dividends shall be subject to any reduction or adjustment for withholding tax required to be deducted and withheld from such dividends under the Tax Act, and, if applicable, the Corporation shall be entitled to liquidate some of the property which would otherwise be deliverable in payment of such dividends to a particular holder of Class B Preferred Shares to fund any statutory withholding obligation under the Tax Act.
- 4.3 Subject to the requirements of the Act and the articles and by-laws of the Corporation, the record date for the determination of the holders of Class B Preferred Shares entitled to receive payment of, and the payment date for, any dividend declared on the Class B Preferred Shares under Section 4.1 hereof shall be the same dates as the record date and payment date, respectively, for the corresponding dividend or other distribution declared on the Common Shares. In the event that the requirements of applicable law or the articles and by-laws of the Corporation prevent the record date and the payment date of a dividend payable under Section 4.1 from conforming to the record date and payment date for a dividend or other distribution on Common Shares, the Corporation shall use its reasonable efforts to cause the payment date for the Corporation dividend to be on or before the payment date for the applicable Common Share dividend or other distribution.
- 4.4 If on any payment date for any dividends declared on the Class B Preferred Shares under Section 4.1 hereof the dividends are not paid in full on all of the Class B Preferred Shares then outstanding, any such dividends which remain unpaid shall be paid on a subsequent date or dates determined by the Board of Directors on which the Corporation shall have sufficient moneys, assets or property properly applicable to the payment of such dividends.

- 4.5 Except as provided in this Article 4, the holders of Class B Preferred Shares shall not be entitled to receive dividends in respect thereof.
- 4.6 Payment of the Class B Retraction Amount shall satisfy in full all Unpaid Dividends relating to the Class B Preferred Shares in respect of which the Class B Retraction Amount is paid.
- 4.7 The Corporation shall take all necessary steps to designate the full amount of all dividends that it pays or that it is deemed to pay as "eligible dividends" within the meaning of subsection 89(1) of the Tax Act, to the extent that such dividends or deemed dividends, as the case may be, exceed the amount of the Corporation's "low rate income pool", as defined in the Tax Act.

## **ARTICLE 5**

### **CERTAIN RESTRICTIONS**

- 5.1 So long as any of the Class B Preferred Shares are outstanding, the Corporation shall not at any time without, but may at any time with, the approval of the holders of the Class B Preferred Shares given as specified in Article 11 of these share provisions:
- (a) pay any dividends on the Common Shares or any other shares ranking junior to the Class B Preferred Shares, other than stock dividends payable in any such other shares ranking junior to the Class B Preferred Shares with respect to the payment of dividends;
  - (b) redeem or purchase or make any capital distribution in respect of, the Common Shares or any other shares ranking junior to the Class B Preferred Shares with respect to distribution on liquidation, distribution or winding-up of the Corporation;
  - (c) pay any dividends on the Class A Preferred Shares or any other shares ranking on a parity with the Class B Preferred Shares with respect to the payment of dividends; and
  - (d) redeem or purchase or make any capital distribution in respect of the Class A Preferred Shares or any other shares ranking on a parity with the Class B Preferred Shares with respect to distribution on liquidation, distribution or winding-up of the Corporation.

The above restrictions shall not apply prior to the Class B Retraction Availability Date, and shall not apply after the Class B Retraction Availability Date if all dividends on the outstanding Class B Preferred Shares corresponding to dividends or other distributions declared on Common Shares with a record date on or following the Class B Retraction Availability Date shall have been declared on the Class B Preferred Shares and paid in full; provided that dividends may be declared and paid on the Class A Preferred Shares before all dividends on the Class B Preferred Shares have been declared and paid in full, if dividends are paid rateably on such classes of shares, based upon the aggregate amount of all declared and unpaid dividends on the Class A Preferred Shares then outstanding, and the aggregate amount of all declared and unpaid dividends on the Class B Preferred Shares then outstanding.

## **ARTICLE 6**

### **DISTRIBUTION ON LIQUIDATION**

- 6.1 In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, a holder of a Class B Preferred Share shall be entitled to receive from the assets of the Corporation in respect of each Class B Preferred Share held by such holder on the effective date of such liquidation, dissolution or winding-up (the "Liquidation Date"), before any distribution of any part of the assets of the Corporation to the holders of the Common Shares or any other shares ranking junior to the Class B Preferred Shares, and



subject to the rights of the holders of the Class A Preferred Shares which rank on a parity with the Class B Preferred Shares upon such a distribution (on the basis provided herein), an amount equal to the Class B Retraction Amount applicable on the Liquidation Date (the "Liquidation Amount") in accordance with Section 6.2, which, as set forth in Section 6.2, shall be fully paid and satisfied by the payment and delivery by the Corporation of consideration representing the Class B Retraction Amount, or a rateable portion thereof (and both cash and non-cash items forming part of the consideration representing the Class B Retraction Amount shall be appropriately pro-rated).

- 6.2 On or promptly after the Liquidation Date, (a) if there are sufficient assets to pay the total Liquidation Amount on all Class B Preferred Shares, as well as the total Liquidation Amount (as defined in Section 6.1 of the Class A Share Provisions) on the Class A Preferred Shares, the Corporation shall cause to be paid and delivered to the holders of the Class B Preferred Shares the Liquidation Amount for each such Class B Preferred Share; and (b) if there are insufficient assets to pay the total Liquidation Amount of the Class B Preferred Shares, as well as the total Liquidation Amount (as defined in Section 6.1 of the Class A Share Provisions) on the Class A Preferred Shares, the Corporation shall cause to be paid and delivered to the holders of the Class B Preferred Shares an amount equal to a rateable proportion of the total Liquidation Amount of all Class B Preferred Shares held by them and holders of Class A Preferred Shares shall be entitled to receive the same rateable proportion of their total Liquidation Amount, as provided in Section 6.1 of the Class A Share Provisions. In each case, the Liquidation Amount (or rateable portion thereof) shall be delivered upon presentation and surrender of the certificates representing such Class B Preferred Shares at the registered office of the Corporation. Payment of the Liquidation Amount (or rateable portion thereof) for such Class B Preferred Shares shall be made by delivery to each holder, at the address for notice for the holder as provided in the Support Agreement, or by holding for pick up by the holder at the address for notice for the Corporation as provided in the Support Agreement, of the Liquidation Amount (or rateable portion thereof) representing such holder's entitlement as provided above. On and after the Liquidation Date, the holders of the Class B Preferred Shares shall cease to be holders of such Class B Preferred Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive their proportionate part of the total Liquidation Amount, unless payment and delivery of the total Liquidation Amount (or rateable portion thereof) for Class B Preferred Shares shall not be made upon presentation and surrender of share certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Liquidation Amount (or rateable portion thereof) has been paid and delivered in the manner hereinbefore provided. The Corporation shall have the right at any time on or after the Liquidation Date to deposit or cause to be deposited consideration representing the total Class B Retraction Amount in respect of the Class B Preferred Shares represented by certificates that have not, at the Liquidation Date, been surrendered by the holders thereof in a custodial account or for safe keeping, in the case of non-cash items, with any chartered bank or trust company in Canada. Upon such deposit being made, the rights of the holders of the Class B Preferred Shares after such deposit shall be limited to receiving their proportionate part of the total Liquidation Amount (or rateable portion thereof) for such Class B Preferred Shares so deposited, against presentation and surrender of the said certificates held by them, in accordance with the foregoing provisions.
- 6.3 After the Corporation has satisfied its obligations to pay the holders of the Class B Preferred Shares the Liquidation Amount per Class B Preferred Share, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.
- 6.4 The Corporation shall give written notice to the holders of Class A Preferred Shares of any Liquidation Date. In the case of a voluntary liquidation, distribution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs that has been approved by the shareholders as required under applicable law, such notice shall be given at least 60 days before the proposed Liquidation Date. In the case of any other liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, such notice shall be given as far in advance of the anticipated Liquidation Date as reasonably practicable in the circumstances, and in any event, not less than five Business Days before the anticipated Liquidation Date.

**ARTICLE 7****RETRACTION OF CLASS B PREFERRED SHARES BY HOLDER**

- 7.1 A holder of Class B Preferred Shares may not require the redemption by the Corporation of any Class B Preferred Shares prior to the Class B Retraction Availability Date. A holder of Class B Preferred Shares shall be entitled, at any time on or after the Class B Retraction Availability Date, subject to applicable law and otherwise upon compliance with the provisions of this Article 7, to require the Corporation to redeem any or all of the Class B Preferred Shares registered in the name of such holder for an amount equal to the Class B Retraction Amount applicable on the Business Day of delivery of the Retraction Request to the address for notice for the Corporation as provided in the Support Agreement (the "Retraction Price"), such payment to be made as further provided in Section 7.3. To effect such redemption, the holder shall present and surrender at the address for notice for the Corporation as provided in the Support Agreement the certificate or certificates representing the Class B Preferred Shares which the holder desires to have the Corporation redeem, together with such other documents and instruments as may be required to effect a transfer of the Class B Preferred Shares under applicable law and the articles and by-laws of the Corporation, and together with a duly executed statement (the "Retraction Request") in the form of Appendix "A" hereto or in such other form as may be acceptable to the Corporation, acting reasonably:
- (a) specifying that the holder desires to have all or any number specified therein of the Class B Preferred Shares represented by such certificate or certificates (the "Retracted Shares") redeemed by the Corporation; and
  - (b) stating the Business Day on which the holder desires to have the Corporation redeem the Retracted Shares (the "Retraction Date"), provided that the Retraction Date shall be not earlier than the 20th Business Day after the date on which the Retraction Request is received by the Corporation, and further provided that in the event that no such Business Day is specified by the holder in the Retraction Request, the Retraction Date shall be deemed to be the 20th Business Day after the date on which the Retraction Request is received by the Corporation, and further provided that the Corporation and the applicable holder may thereafter agree to a different Retraction Date than the Business Day specified in the Retraction Request, and such agreed date shall thereafter be deemed to be the applicable Retraction Date hereunder.
- 7.2 Upon receipt by the Corporation in the manner specified in Section 7.1 hereof of a certificate or certificates representing the number of Class B Preferred Shares which the holder desires to have the Corporation redeem, together with a Retraction Request, the Corporation shall redeem the Retracted Shares effective at the close of business on the Retraction Date and shall cause to be delivered to such holder the total Retraction Price with respect to such shares in accordance with Section 7.3 hereof. If only a part of the Class B Preferred Shares represented by any certificate are redeemed, a new certificate for the balance of such Class B Preferred Shares shall be issued to the holder at the expense of the Corporation.
- 7.3 Subject to receipt by the Corporation of a Retraction Request, the Corporation shall deliver to the relevant holder, at the address for notice for the holder as specified in the Support Agreement or at the address specified in the holder's Retraction Request or by holding for pick up by the holder at the address for notice to the Corporation as specified in the Support Agreement, as may be specified in the Retraction Request, the consideration representing the total Retraction Price, and such delivery of consideration representing the total Retraction Price to the holder shall be deemed to be payment of and shall satisfy and discharge all liability for the total Retraction Price except as to any cheque included therein which is not paid on due presentation.
- 7.4 On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive such holder's total Retraction Price unless after presentation and surrender of certificates in accordance with the foregoing provisions, payment of the total Retraction

Price shall not be made, in which case the rights of such holder shall remain unaffected until consideration representing the total Retraction Price has been paid.

- 7.5 Notwithstanding any other provision of this Article 7, the Corporation shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to liquidity or solvency requirements or other provisions of applicable law. If the Corporation believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption in respect of such date, the Corporation shall only be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent of the maximum number that may be so redeemed (rounded down to a whole number of shares) as would not be contrary to such provisions and shall notify the holder at least two Business Days prior to the Retraction Date as to the number of Retracted Shares which will not be redeemed by the Corporation. In any case in which the redemption by the Corporation of Retracted Shares would be contrary to liquidity or solvency requirements or other provisions of applicable law, the Corporation shall redeem Retracted Shares in accordance with Section 7.2 of these share provisions on a pro rata basis. The holder of any such Retracted Shares not redeemed by the Corporation pursuant to Section 7.2 hereof as a result of liquidity or solvency requirements or applicable law shall be deemed by giving the Retraction Request to require Putco to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by Putco to such holder of the Retraction Price for each such Retracted Share, as further provided in Section 7.6, and Putco shall make such purchase.
- 7.6 For purposes of completing the purchase by Putco of Retracted Shares as provided in Section 7.5, Putco shall deposit with the Corporation (as paying agent) on the Retraction Date or as soon as reasonably practicable thereafter, consideration representing the total Retraction Price of the Retracted Shares to be so purchased. Closing of the purchase and sale shall be deemed to have occurred at the close of business on the later of the Retraction Date and the date of such deposit. The Corporation (as paying agent) shall deliver to the relevant holder at the address for notice to the holder as provided in the Support Agreement or at the address specified in the holder's Retraction Request or by holding for pick up by the holder at the registered office of the Corporation, as may be specified in the Retraction Request, the consideration representing the total applicable Retraction Price, and such delivery of such consideration shall be deemed to be payment of and shall satisfy and discharge all liability for the total applicable Retraction Price, except as to any cheque included therein which is not paid on due presentation.
- 7.7 Notwithstanding any other provisions of this Article 7, at any time after the giving of a Put Notice by a holder of Class B Preferred Shares and prior to the Put Closing Date to which such Put Notice relates, the holder may, at its sole election, by delivering a notice in writing to Putco and the Corporation, deem such Put Notice to be a Retraction Request, in which case the Corporation shall accept and shall be deemed to have accepted such Put Notice as a Retraction Request and shall redeem the Class B Preferred Shares to which such Put Notice relates in accordance with the provisions of this Article 7 for an amount equal to the Class B Retraction Amount applicable on the Business Day of delivery of the Put Notice; provided, however, the Retraction Date for purposes of this Section 7.7 shall be the applicable Put Closing Date.
- 7.8 Notwithstanding any other provisions of this Article 7, at any time after a holder of Class B Preferred Shares has received notice of a Specified Reorganization and prior to 5:00 p.m. (Calgary time) on the Business Day (the "Automatic Retraction Date") immediately prior to the effective date of such Specified Reorganization, the holder may at its option determine to immediately retract any or all of its Class B Preferred Shares by delivering a Retraction Request to the address for notice for the Corporation as provided in the Support Agreement at any time before 5:00 p.m. (Calgary time) on the Automatic Retraction Date, in which case the Corporation shall forthwith issue an instrument in writing to such holder acknowledging its obligation to pay such holder the aggregate Class B Retraction Amount applicable on the Business Day of delivery of such Retraction Request within 20 days thereof and shall redeem the Class B Preferred Shares to which such Retraction Request relates in accordance with the provisions of this Article 7 for such Class B Retraction Amount and such retraction shall be deemed for all purposes to have been effective on the Automatic Retraction Date.

## ARTICLE 8

### CLASS B PUT RIGHT

- 8.1 Upon and subject to the terms and conditions contained in the Support Agreement:
- (a) a holder of Class B Preferred Shares shall have the right (the "Class B Put Right"), exercisable at any time on or after the Class B Retraction Availability Date, to require Putco to purchase all or any part of the Class B Preferred Shares of the holder, provided that in connection with the liquidation, dissolution or winding-up of the Corporation, the Class B Put Right must be exercised by a holder by no later than the Business Day before any Liquidation Date.
  - (b) upon the exercise by the holder of the Class B Put Right, the holder shall be required to sell to Putco, and Putco shall be required to purchase from the holder, that number of Class B Preferred Shares in respect of which the Class B Put Right is exercised, in consideration of the payment by Putco of the Preferred Share Fair Market Value applicable thereto (which shall be the Preferred Share Fair Market Value applicable on the Business Day of exercise of the Class B Put Right), as further provided in the Support Agreement.
- 8.2 The exercise of the Class B Put Right and the completion of any sale and purchase pursuant to the Class B Put Right shall occur on the terms and conditions described in the Support Agreement.
- 8.3 If only a part of the Class B Preferred Shares represented by any certificate are to be sold and purchased pursuant to the exercise of the Class B Put Right, a new certificate for the balance of such Class B Preferred Shares shall be issued to the holder at the expense of the Corporation.

## ARTICLE 9

### REDEMPTION OF CLASS B PREFERRED SHARES BY THE CORPORATION

- 9.1 Subject to applicable law and the right of each holder of Class B Preferred Shares to exercise the Class B Put Right, on the Redemption Date the Corporation shall redeem all (and not less than all) of the then outstanding Class B Preferred Shares for an amount per share equal to the Class B Retraction Amount applicable on the Business Day immediately before the Redemption Date (the "Redemption Price"), such payment to be made as further provided in Section 9.3.
- 9.2 In any case of a redemption of Class B Preferred Shares under this Article 9, the Corporation shall send or cause to be sent to each holder of Class B Preferred Shares a notice in writing of the redemption by the Corporation of the Class B Preferred Shares held by such holder (the "Redemption Notice"). The Redemption Notice shall set out the formula for determining the Redemption Price, the Redemption Date and the requirements to exercise the Class B Put Right. The Redemption Notice shall be sent:
- (a) in the case of a Redemption Date established under paragraph (b) of the definition of "Redemption Date", at least 15 days before the Redemption Date; and
  - (b) in the case of any other Redemption Date, at least 60 days before the Redemption Date.
- 9.3 On the Redemption Date, and subject to the exercise by any holder of the Class B Put Right, the Corporation shall cause the Redemption Price for each Class B Preferred Share to be delivered to the holders of the Class B Preferred Shares to be redeemed (the "Redeemed Shares") at the address for notice for such holders as provided in the Support Agreement upon presentation and surrender of the Redeemed Shares at the address for notice for the Corporation as provided in the Support Agreement.
- 9.4 On and after the Redemption Date, the holders of the Redeemed Shares shall cease to be holders of such shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the

right to receive their proportionate part of the total Redemption Price, unless payment of such holder's proportionate share of the total Redemption Price shall not be made upon such holder's presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of such holder shall remain unaffected until such holder's proportionate share of the total Redemption Price has been paid to such holder.

- 9.5 Notwithstanding any proposed redemption of the Class B Preferred Shares by the Corporation, each holder of Class B Preferred Shares shall have the right to exercise the Class B Put Right at any time up to and including the Business Day prior to the Redemption Date. Upon the due exercise of the Class B Put Right on or before the Business Day prior to the Redemption Date as required above, any proposed redemption by the Corporation will automatically terminate with respect to such holder, and the completion of the sale and purchase shall occur in accordance with the terms and conditions described in the Support Agreement.

## **ARTICLE 10**

### **VOTING RIGHTS**

- 10.1 The holders of the Class B Preferred Shares shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation except as required by applicable law.

## **ARTICLE 11**

### **AMENDMENT AND APPROVAL**

- 11.1 The rights, privileges, restrictions and conditions attaching to the Class B Preferred Shares may be added to, changed or removed but, except as hereinafter provided, only with the approval of the Required Holders of the Class B Preferred Shares given as hereinafter specified.
- 11.2 Any approval given by the holders of the Class B Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Class B Preferred Shares or any other matter requiring the approval or consent of the holders of the Class B Preferred Shares under applicable law shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by a resolution passed by the Required Holders by instrument in writing or by Persons represented in person or by proxy at a meeting of holders of Class B Preferred Shares (excluding Class B Preferred Shares beneficially owned by the Corporation or Putco or any of their respective Subsidiaries) duly called and held at which the holders of at least 75% of the outstanding Class B Preferred Shares at that time are present or represented by proxy.

## **ARTICLE 12**

### **RECIPROCAL CHANGES, ETC. IN RESPECT OF COMMON SHARES**

- 12.1 If the Corporation:
- (a) subdivides, redivides or changes the then outstanding Common Shares into a greater number of Common Shares; or
  - (b) reduces, combines or consolidates or changes the then outstanding Common Shares into a lesser number of Common Shares; or
  - (c) reclassifies or otherwise changes the Common Shares or effects an amalgamation, merger, reorganization or other transaction involving or affecting the Common Shares,

then the same change, mutatis mutandis, will simultaneously be made to, or in the rights of the holders of, the Class B Preferred Shares, as determined by the Board of Directors acting in good faith.

### **ARTICLE 13**

#### **LEGEND**

- 13.1 The certificates evidencing the Class B Preferred Shares shall contain or have affixed thereto a legend, in form and on terms approved by the Board of Directors, with respect to the Support Agreement.

### **ARTICLE 14**

#### **MISCELLANEOUS**

- 14.1 Except where otherwise provided herein, any notice, request or other communication to be given to the Corporation or Putco by a holder of Class B Preferred Shares shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by facsimile or by delivery to the address for notice to the Corporation or Putco, as applicable, as provided in the Support Agreement. Any such notice, request or other communication, shall only be deemed to have been given and received upon actual receipt thereof by the Corporation or Putco, as applicable.
- 14.2 Except where otherwise provided herein, any presentation and surrender by a holder of Class B Preferred Shares to the Corporation of certificates representing Class B Preferred Shares in connection with the liquidation, dissolution or winding-up of the Corporation or the retraction, redemption or sale of Class B Preferred Shares shall be made by registered mail (postage prepaid) or by delivery to the address for notice to the Corporation as provided in the Support Agreement. Any such presentation and surrender of certificates shall only be deemed to have been made and to be effective upon actual receipt thereof by the Corporation, and the method of any such presentation and surrender of certificates shall be at the sole risk of the holder.
- 14.3 Except where otherwise provided herein, any notice, request or other communication to be given to a holder of Class B Preferred Shares by or on behalf of the Corporation or Putco shall be in writing and shall be valid and effective if given by mail (postage prepaid) or by delivery to the address for notice to the holder as provided in the Support Agreement. Any such notice, request or other communication, shall only be deemed to have been given or received upon actual receipt thereof by the holder.
- 14.4 For greater certainty, any payments to the holders of Class B Preferred Shares shall be net of applicable taxes, if any, and the payor shall not be obliged to gross up or increase the amount of such payment which would otherwise be made to take into account such taxes. Any such taxes which have been withheld or deducted by the payor thereof shall be remitted to the applicable tax authority within the time required for such remittance.
- 14.5 For the purposes of subsection 191(4) of the Income Tax Act (Canada) the "specified amount" in respect of each Class B Preferred Share shall be \$17.25.

**APPENDIX "A"**  
**RETRACTION REQUEST**

To: Inter Pipeline Ltd. (the "**Corporation**") and Inter Pipeline Putco Corp. ("**Putco**")

This request is given pursuant to Article 7 of the provisions (the "**Share Provisions**") attaching to the Class A Preferred Shares or Class B Preferred Shares, as applicable, of the Corporation and all capitalized words and expressions used in this request which are defined in the Share Provisions have the meaning attributed to such words and expressions in such Share Provisions.

The undersigned hereby notifies the Corporation that the undersigned requests the Corporation to redeem in accordance with Article 7 of the Share Provisions applicable to the holder's class or classes of shares:

- all Class A Preferred Shares represented by the accompanying certificate(s);
- all Class B Preferred Shares represented by the accompanying certificate(s);
- \_\_\_\_\_ Class A Preferred Shares only; or
- \_\_\_\_\_ Class B Preferred Shares only.

The undersigned hereby notifies the Corporation that the Retraction Date shall be \_\_\_\_\_  
\_\_\_\_\_.

NOTE: The Retraction Date must be a Business Day and must be not less than 20 Business Days after the date upon which this notice and the accompanying shares are received at the address for notice to the Corporation as provided in the Support Agreement. In the event that no such Business Day is correctly specified above, the Retraction Date shall be deemed to be the 20th Business Day after the date on which this request is received by the Corporation.

The undersigned acknowledges that if, as a result of liquidity or solvency provisions of applicable law, the Corporation is unable to redeem all Retracted Shares, the undersigned will be deemed to have required Putco to purchase the unredeemed Retracted Shares on the terms provided in the Share Provisions and the Support Agreement.

The undersigned hereby represents and warrants to the Corporation and Putco that the undersigned has good title to, and owns, the share(s) represented by the accompanying certificate free and clear of all liens, claims, encumbrances, security interests and adverse claims or interests, other than as provided in the Share Provisions and the Support Agreement.

Date	Signature of Shareholder
------	--------------------------

Please check box if the legal or beneficial owner of the Retracted Shares is a non-resident of Canada.

Please check box if the cheque(s) and any other non-cash assets resulting from the retraction of the Retracted Shares are to be held for pick-up by the shareholder at the address for notice to the Corporation as provided in the Support Agreement, failing which the cheque(s) and any other non-cash assets will be delivered to the shareholder in accordance with the Share Provisions.

NOTE: This request must be completed and the accompanying share certificate(s), together with such other documents and instruments as may be required to effect a transfer of the Class A Preferred Shares or Class B Preferred Shares, as applicable, under applicable law and the articles and by-laws of the Corporation, must be deposited with the Corporation at the address for notice to the Corporation as provided in the Support Agreement. The cheque(s) and any other non-cash assets resulting from the retraction or purchase of the Retracted Shares will be issued and made payable to, or transferred into, respectively, the name of the shareholder as it appears on the register of the Corporation and the cheque(s) and any other non-cash assets resulting from such retraction or purchase will be delivered to the shareholder at the address for notice to the shareholder as specified in the Support Agreement unless the provisions appearing immediately below are duly completed.

---

Name of Person in Whose Name Cheque(s) or Any  
Other Non-cash Assets Are To Be Registered,  
Issued or Delivered (please print)

---

Date

---

Street Address or P.O. Box

---

Signature of Shareholder

---

City, Province

NOTE: If this retraction request is for less than all of the share(s) represented by the accompanying certificate, a certificate representing the remaining shares of the Corporation will be issued and registered in the name of the shareholder as it appears on the register of the Corporation.



## SCHEDULE 2 TO ARRANGEMENT AGREEMENT

### CONSENT AND APPROVAL

- TO: Inter Pipeline Ltd. ("**Pubco**"), Inter Pipeline GP Corp. (the "**Corporation**"), Inter Pipeline Putco Corp. ("**Putco**") and Inter Pipeline Fund ("**IPF**")
- RE: Put Option and Support Agreement (the "**Support Agreement**") dated as of June 1, 2013 among Pubco, the Corporation, Putco, IPF, and the undersigned (collectively, the "**Shareholders**")

Capitalized words and expressions not otherwise defined herein have the meanings ascribed to them in the Support Agreement.

Reference is made to the arrangement agreement (the "**Arrangement Agreement**") among IPF, Pipeline Management Inc., Inter Pipeline GP Holding Trust and Pubco pursuant to which such parties have proposed to implement an arrangement under the provisions of section 193 of the *Business Corporations Act* (Alberta), on the terms and conditions set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Schedule 1 to the Arrangement Agreement.

Each of the undersigned hereby consents to and approves the Preferred Share Exchange (as defined in the Plan of Arrangement), provided that the foregoing consent and approval is subject to each of the undersigned's right as provided in the Support Agreement to withdraw such consent and approval to the extent the Preferred Share Exchange would have a material adverse effect on such undersigned as a result of any matter or development arising or coming to the attention of the undersigned after the date hereof, including, without limitation, as a result of any amendments, including any proposed amendments, to the Tax Act, or any public announcements in respect thereof made by or on behalf of the Minister of Finance (Canada) or the Canada Revenue Agency after the date hereof.

Each of the undersigned hereby consents to the disclosure of this consent and approval to the Court in connection with any orders sought or other matters in connection with the Plan of Arrangement and in the information circular and any related materials to be provided to the holders (the "**Unitholders**") of Class A limited partnership units of IPF in connection with the special meeting of Unitholders to be called and held for the purposes of considering the Plan of Arrangement including the Preferred Share Exchange.

THIS CONSENT AND APPROVAL is executed by the undersigned as of July \_\_\_, 2013.

\_\_\_\_\_  
SCOTT GERLA

\_\_\_\_\_  
JEFF MARCHANT

\_\_\_\_\_  
DAVID FESYK

\_\_\_\_\_  
CHRISTIAN BAYLE

\_\_\_\_\_  
JEFFERY ERRICO

\_\_\_\_\_  
JEFFREY NEWCOMMON

\_\_\_\_\_  
GORDON THOMPSON

**PETRO ASSETS INC.**

By:

\_\_\_\_\_  
Name: John Driscoll  
Title: President

**APPENDIX B**  
**INTERIM ORDER**



COURT FILE NUMBER 1301-08502  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT INTER PIPELINE FUND, PIPELINE MANAGEMENT INC. AND INTER PIPELINE LTD.  
RESPONDENTS None  
IN THE MATTER OF SECTION 193 OF THE BUSINESS CORPORATIONS ACT, R.S.A. 2000, c. B-9, AS AMENDED  
AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING INTER PIPELINE FUND, PIPELINE MANAGEMENT INC., INTER PIPELINE LTD., INTER PIPELINE GP CORP. AND ITS SHAREHOLDERS, INTER PIPELINE GP HOLDING TRUST, INTER PIPELINE PUTCO CORP. AND THE HOLDERS OF CLASS A LIMITED PARTNERSHIP UNITS OF INTER PIPELINE FUND  
DOCUMENT **INTERIM ORDER**

Clerk's Stamp:  
FILED  
JUL 23 2013  
JUDICIAL CENTRE  
OF CALGARY

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Burnet, Duckworth & Palmer LLP  
2400, 525 – 8 Avenue SW  
Calgary, Alberta T2P 1G1  
Lawyer: Jeff E. Sharpe  
Phone Number: (403) 260-0176  
Fax Number: (403) 260-0332  
Email Address: jes@bdplaw.com  
File No. 52914-117/JES

Date on Which Order Was Pronounced: Tuesday, July 23, 2013

Name of Judge Who Made This Order: Justice B.E.C. Romaine

**ORDER**

UPON the Originating Application of Inter Pipeline Fund ("**Inter Pipeline**"), Pipeline Management Inc. ("**PMI**") and Inter Pipeline Ltd. ("**IPL**") (collectively, the "**Applicants**")

pursuant to Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended ("**ABCA**");

AND UPON reading the said Originating Application and the Affidavit of David W. Fesyk, sworn July 23, 2013, filed herein;

AND UPON it appearing that notice of this application has been given to the Executive Director of the Alberta Securities Commission ("**Executive Director**") as required by Subsection 193(8) of the ABCA and that the Executive Director does not intend to appear to make submissions with respect to this application;

AND UPON hearing counsel for the Applicants;

AND UPON NOTING THAT for the purposes of this Order the capitalized terms not defined in this Order shall have the meaning ascribed to them in the draft information circular of Inter Pipeline, which is attached as Exhibit "A" to the Affidavit of David W. Fesyk sworn July 23, 2013 (the "**Information Circular**");

**IT IS HEREBY ORDERED THAT:**

**Meeting of Inter Pipeline Unitholders**

1. Inter Pipeline shall convene a special meeting (the "**Meeting**") of the holders (the "**Unitholders**") of Class A limited partnership units of Inter Pipeline ("**Class A Units**") to be held on or about August 22, 2013, to consider and, if deemed advisable, to pass, with or without variation, an extraordinary resolution (the "**Arrangement Resolution**") approving a proposed arrangement under Section 193 of the ABCA (the "**Arrangement**") involving Inter Pipeline, PMI, IPL, Inter Pipeline GP Corp. and its shareholders, the Trust, Inter Pipeline Putco Corp. and the Unitholders. The steps in the Arrangement are set forth in a plan of arrangement (the "**Plan of Arrangement**"), a true copy of which in its substantially final form is attached as Schedule 1 to Appendix "A" to the Information Circular, which is attached as Exhibit "A" to the Affidavit of David W. Fesyk. At the Meeting, the Unitholders may further consider and, if deemed advisable, pass any other resolutions as may be proposed and properly disclosed in the Information Circular.

2. The Meeting shall be called, held and conducted in accordance with the limited partnership agreement dated as of October 9, 1997, among PMI, 687371 Alberta Ltd., as the initial limited partner and each person who is admitted to Inter Pipeline as a limited partner from time to time in accordance with the terms thereof (the "**Partnership Agreement**") and applicable securities laws, subject to what may be provided hereafter.

### **Notice of Meeting**

3. The only persons entitled to notice of the Meeting shall be the Unitholders of record as of the close of business on July 18, 2013 (the "**Record Date**") and the Executive Director of the Alberta Securities Commission.
4. At least 21 days (exclusive of the day of mailing or delivery but inclusive of the day of the Meeting) prior to the day of the Meeting, Inter Pipeline shall send:
  - (a) the Information Circular, which will contain, among other documents:
    - (i) the Notice of Special Meeting of Unitholders (the "**Notice of Meeting**"), to be held on August 22, 2013;
    - (ii) the Originating Application;
    - (iii) a copy of this Order; and
    - (iv) a form of extraordinary resolution of Unitholders approving the Arrangement (the "**Arrangement Resolution**");
  - (b) a form of proxy for use by Unitholders in connection with the Meeting; and
  - (c) a form of letter of transmittal for use by Unitholders and the shareholders of Inter Pipeline GP Corp. in connection with the Meeting; (collectively, the "**Meeting Materials**");

all in substantially the form attached as Exhibit "A" to the Affidavit of David W. Fesyk, with such amendments as counsel for Inter Pipeline may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Order, to the Unitholders of record as of the close of business on the Record Date and to the Executive Director of the Alberta Securities Commission, by mailing the same by

prepaid ordinary mail or by delivering the same by direct courier at the expense of Inter Pipeline. Such mailing or delivery shall constitute good and sufficient service of notice of the Originating Application, the Meeting and the hearing in respect of the Originating Application. In the case of non-registered Unitholders, service of the Originating Application, the notice of the Meeting and the notice of the hearing in respect of the Originating Application shall be given in accordance with Inter Pipeline's obligations under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

5. The Meeting Materials shall be deemed to have been received, in the case of mailing, three (3) days after delivery to the post office, and in the case of delivery in person, by courier or by expedited parcel post, upon receipt, at the intended recipient's address.
6. The mailing or delivery, as applicable, of the Meeting Materials in accordance with the provisions of this Order shall constitute good and sufficient service in respect of the Originating Application upon all persons who are entitled to receive such notice pursuant to this Order and no other form of service need be made and no other material need be served on such persons in respect of these proceedings, and service of the Originating Application and Affidavit of David W. Fesyk is dispensed with, except for service thereof on the Executive Director of the Alberta Securities Commission.
7. Inter Pipeline is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of the Unitholders in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as Inter Pipeline determines is appropriate in the circumstances.
8. Inter Pipeline is hereby authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Meeting Materials as Inter Pipeline may determine, and Inter Pipeline shall distribute such Additional Information by the method and in the time most reasonably practicable in the circumstances.



9. The accidental omission to give notice of the Meeting to, or the non-receipt of the notice by, one or more of the aforesaid persons, shall not invalidate any resolution passed or proceedings taken at the Meeting.

### **Conduct of the Meeting**

10. Registered Unitholders present in person or represented by proxy at the Meeting and Beneficial Unitholders who have been appointed as proxy holders in respect of the Class A Units they beneficially own shall be the only persons entitled to vote on the Arrangement Resolution.
11. Unitholders as at the close of business on the Record Date are entitled to one vote for each Class A Unit held.
12. An affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast by Unitholders, who are represented in person or by proxy at the Meeting is required to approve the Arrangement Resolution. In addition, in order for the Arrangement to include the Preferred Share Exchange (as defined in the Information Circular), the Arrangement Resolution must be approved by a majority of the votes cast by Unitholders, after excluding the votes cast by persons whose votes may not be included in determining minority approval of a business combination pursuant to Multilateral Instrument 61-101.
13. To be valid, proxies must be deposited in the manner, and prior to the deadline, described in the Information Circular.
14. Any officer or nominee of PMI, or failing them, any person to be chosen at the Meeting, shall be the Chair of the Meeting.
15. The quorum required for the Meeting shall be one or more holders of Class A Units present in person or by proxy at the Meeting holding at least ten percent (10%) of the aggregate number of votes attached to the outstanding Class A Units. If, within 30 minutes after the time fixed for the Meeting, a quorum is not present, the Meeting shall be held at the same time and place on the day that is 14 days following the day appointed for the Meeting (or if that date is not a business day, the first business day

after that date). PMI will give three (3) days' notice to all Unitholders of the date of the reconvening of the adjourned meeting and at such meeting the quorum will consist of the Unitholders then present in person or by proxy entitled to vote at such meeting.

### **Final Approval**

16. Upon approval of the Arrangement at the Meeting in the manner set forth in this Order, the Applicants may apply before this Court for approval of the Arrangement, which application (the "**Final Application**") shall be heard by this Honourable Court at the Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., in the City of Calgary, in the Province of Alberta, on Thursday, August 22, 2013 at 2:00 p.m. (Calgary time) or at such other time as the Court may entertain it.
17. Any Unitholder and any other interested persons may appear at the Final Application provided that such Unitholder or person shall file with this Court and serve on Inter Pipeline, care of its solicitors, on or before 12:00 noon (Calgary time), on Thursday, August 15, 2013 a Notice of Intention to Appear setting out the address for service in respect of such Unitholder or person, and indicating whether such Unitholder or person intends to support or oppose the Final Application or make submissions thereat, together with any evidence or materials which are to be presented to this Court. Such Notice of Intent to Appear and accompanying materials shall be served by delivery to the address set forth below:

Burnet, Duckworth & Palmer LLP  
2400, 525 – 8th Avenue S.W.  
Calgary, Alberta T2P 1G1

Attention: Mr. Jeff Sharpe
18. In the event that the Final Application is adjourned, only those persons who have filed and served a Notice of Intent to Appear shall be served with the notice of the adjourned date.
19. Service of notice of this application on any person is hereby dispensed with.

20. Inter Pipeline is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.

(signed) "*Justice B.E.C. Romaine*"

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J.C.Q.B.A.

ENTERED this 23<sup>rd</sup> day of July, 2013

(signed) "*Clerk of the Court*"

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Clerk of the Court



APPENDIX C

ARRANGEMENT RESOLUTION AND  
PREFERRED SHARE EXCHANGE RESOLUTION

**Arrangement Resolution**

**"BE IT RESOLVED AS AN EXTRAORDINARY RESOLUTION THAT:**

1. The arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Schedule I to Appendix "A" to the information circular of Inter Pipeline Fund ("**Inter Pipeline**") dated July 23, 2013 (the "**Circular**") and all transactions contemplated thereby, be and are hereby authorized and approved.
2. The arrangement agreement ("**Arrangement Agreement**") made as of July 23, 2013 among Inter Pipeline, Pipeline Management Inc. ("**PMI**"), which is the General Partner of Inter Pipeline, Inter Pipeline GP Holding Trust, and Inter Pipeline Ltd., a copy of which is attached as Appendix "A" to the Circular, together with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved.
3. PMI, in its capacity as the General Partner of Inter Pipeline, be and is hereby authorized to apply for a final order from the Court of Queen's Bench of Alberta to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement, as they may be amended, modified or supplemented and as described in the Circular.
4. Notwithstanding that this resolution has been duly passed or that the Arrangement has received the approval of the Court of Queen's Bench of Alberta, any director or officer of PMI, in its capacity as the General Partner of Inter Pipeline, is hereby authorized, and empowered to, without further notice to or approval of the unitholders of Inter Pipeline, amend, modify, supplement or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions and to revoke this resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement.
5. Any one director or officer of PMI is hereby authorized, for and on behalf of Inter Pipeline and PMI, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."

**Preferred Share Exchange Resolution**

**"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. The proposed share exchange (the "**Preferred Share Exchange**") involving (A) the exchange of each outstanding Class A preferred share, Series 1 through 8 (a "**GP Holdco Class A Preferred Share**") in the capital of Inter Pipeline GP Corp. ("**GP Holdco**") for one common share of Inter Pipeline Ltd. ("**IPL**") (a "**Common Share**") including the issuance of 7,411,683 Common Shares pursuant thereto and (B) the exchange of each outstanding Class B preferred share, Series 1 through 8 ("**GP Holdco Class B Preferred Share**") in the capital of GP Holdco for one convertible share of IPL (a "**Convertible Share**") including the issuance of up to 7,055,406 Common Shares pursuant to the conversion of such Convertible Shares, as

described in the information circular of Inter Pipeline Fund ("**Inter Pipeline**") dated July 23, 2013 and all transactions contemplated thereby, be and are hereby authorized and approved.

2. Any one director or officer of Pipeline Management Inc. ("**PMI**"), as General Partner of Inter Pipeline, is hereby authorized, for and on behalf of Inter Pipeline and PMI to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."

**APPENDIX D**  
**INFORMATION CONCERNING INTER PIPELINE LTD.**

## INFORMATION CONCERNING INTER PIPELINE LTD.

### NOTICE TO READER

Unless otherwise noted, the disclosure in this Appendix has been prepared assuming that the Arrangement (which includes the Amalgamation) and the Preferred Share Exchange have been completed. New Inter Pipeline will be the publicly listed corporation resulting from the reorganization of Inter Pipeline's limited partnership structure into a corporate structure pursuant to the Arrangement. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases in the "*Glossary of Terms*" or elsewhere in the Circular.

### FORWARD-LOOKING STATEMENTS

This Appendix contains forward-looking statements. All statements other than statements of historical fact contained in this Appendix are forward-looking statements. The forward-looking statements contained in this Appendix are expressly qualified in their entirety by the cautionary statements set forth in the body of the Circular under "*General Information – Forward-Looking Statements*" and the documents incorporated by reference therein. The forward-looking statements included in this Appendix are made as of the date of the Circular and IPL undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

### CORPORATE STRUCTURE

#### **Name, Incorporation and Address**

New Inter Pipeline will be formed under the ABCA pursuant to the Amalgamation and will be the corporate successor of Inter Pipeline. IPL was incorporated on January 29, 2013 as "1726761 Alberta Ltd." pursuant to the provisions of the ABCA as a wholly-owned subsidiary of the Trust for the sole purpose of participating in the Arrangement and entering into certain agreements in connection with the Internalization Transactions. On May 31, 2013, IPL filed articles of amendment to change its name to "Inter Pipeline Ltd." IPL has not carried on any business or conducted operations since its incorporation other than entering into the Arrangement Agreement and entering into certain agreements in connection with the Internalization Transactions. The Trust is the sole shareholder of IPL and owns one Common Share which will be repurchased and cancelled pursuant to Arrangement. The registered office of IPL is located at 2400, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1 and its principal place of business is Suite 2600, 237 – 4th Avenue S.W., Calgary, Alberta, Canada, T2P 4K3.

#### **Intercorporate Relationships**

See "*The Arrangement – Details of the Arrangement – Current Organizational Structure*" for the current simplified organizational structure of Inter Pipeline. See "*The Arrangement – Details of the Arrangement – Post-Arrangement Structure*" in the Circular for the simplified organization structure of New Inter Pipeline immediately following completion of the Arrangement assuming the Preferred Share Exchange is completed as part of the Arrangement. If the Preferred Share Exchange is not completed (a) New Inter Pipeline will have outstanding 7,411,683 Class A Preferred Shares and 7,055,406 Class B Preferred Shares held by the former holders of GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares, respectively, (b) no Convertible Shares will be authorized or outstanding, and (c) Putco will continue to exist and will be owned as to 50% each by New Inter Pipeline and the Trust.



## **GENERAL DEVELOPMENT OF THE BUSINESS**

IPL has not carried on any active business since its incorporation other than entering into certain agreements in connection with the Internalization Transactions and the Arrangement Agreement. If approved, the Arrangement will result in the reorganization of Inter Pipeline's partnership structure into a corporate structure. Immediately following completion of the Arrangement, the former Unitholders and, if the Preferred Share Exchange is approved, former holders of GP Holdco Class A Preferred Shares, will hold all of the outstanding Common Shares of New Inter Pipeline and the former holders of GP Holdco Class B Preferred Shares will hold all of the outstanding Convertible Shares of New Inter Pipeline. For a detailed description of the historical development of the businesses of Inter Pipeline, see "*General Development of the Business*" in the AIF. For a description of the businesses to be carried on by New Inter Pipeline following completion of the Arrangement, see "*Description of the Business*" in this Appendix.

Upon completion of the Arrangement, New Inter Pipeline will become a reporting issuer in each of the provinces of Canada and be subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.

## **DESCRIPTION OF THE BUSINESS**

New Inter Pipeline will carry on the businesses currently carried on by Inter Pipeline. For a detailed description of Inter Pipeline's businesses, which will continue to be carried on by New Inter Pipeline if the Arrangement is completed, see "*General Development of the Business*" and "*Description of the Business*" in the AIF.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at the date of the Circular, New Inter Pipeline has not conducted any business or operations, other than entering into certain agreements in connection with the Internalization Transactions and the Arrangement Agreement, and has issued one Common Share to the Trust in connection with its organization.

If the Arrangement is completed, the businesses of Inter Pipeline will continue to be carried on as before the Effective Date. New Inter Pipeline's financial position, risks and outlook after the Arrangement is completed will be substantially the same as those outlined in the MD&A and the AIF incorporated by reference in the Circular.

Since the Arrangement does not contemplate a change of control for accounting purposes, the financial statements of Inter Pipeline and, upon the completion of the Arrangement, New Inter Pipeline will reflect the assets and liabilities of Inter Pipeline at the respective carrying amounts.

Readers are encouraged to review the MD&A, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and which is incorporated by reference in this Circular. See "*Risk Factors*" in this Appendix.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of IPL consists of an unlimited number of Common Shares. If the Preferred Share Exchange Approval is received and the Preferred Share Exchange is completed as part of the Arrangement, the authorized share capital of New Inter Pipeline will consist of an unlimited number of Common Shares and 7,055,406 Convertible Shares, with the rights, privileges and restrictions set out

in Schedule A and Schedule B to the Plan of Arrangement, respectively. If the Preferred Share Exchange Approval is not received and the Preferred Share Exchange is not completed as part of the Arrangement, the authorized share capital of New Inter Pipeline will consist of an unlimited number of Common Shares, 7,411,683 Class A Preferred Shares and 7,055,406 Class B Preferred Shares, with the rights, privileges, restrictions and conditions set out in Schedule A, Schedule C and Schedule D to the Plan of Arrangement, respectively.

As at the date hereof, there is one Common Share outstanding. Assuming that the same number of Class A Units, GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares are outstanding on the Effective Date as were outstanding on July 18, 2013, upon the completion of the Arrangement, an aggregate of 288,062,549 Common Shares and an aggregate of 7,055,406 Convertible Shares will be issued and outstanding if the Preferred Share Exchange is completed. If the Preferred Share Exchange is not completed (a) an aggregate of 280,650,866 Common Shares will be issued and outstanding, (b) 7,411,683 Class A Preferred Shares and 7,055,406 Class B Preferred Shares held by the former holders of GP Holdco Class A Preferred Shares and GP Holdco Class B Preferred Shares, respectively, will be issued and outstanding, and (c) no Convertible Shares will be authorized or outstanding.

See Schedule A, Schedule B, Schedule C and Schedule D to the Plan of Arrangement for the terms of the Common Shares, Convertible Shares, Class A Preferred Shares and Class B Preferred Shares, respectively.

#### **KEY PROVISIONS OF BY-LAWS**

The by-laws of IPL contain certain provisions that are consistent with similar provisions contained in the by-laws adopted by a number of public Canadian corporations including those governed by the laws of Alberta.

Regarding meetings of shareholders, two persons present and holding or representing by proxy at least 25% of the shares entitled to vote at the meeting shall constitute a quorum. Votes at meetings of shareholders may be given either personally or by proxy. A shareholder or any other person entitled to attend a meeting of shareholders may participate in the meeting by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear or otherwise communicate with each other.

Regarding meetings of directors, a majority of the number of directors constitutes a quorum at any meeting of directors. Questions arising at any meeting of directors shall be decided by a majority of votes. In case of an equality of votes, neither the chairman of the meeting nor any other director present at the meeting shall be entitled to a second or casting vote.

#### **PRO FORMA CONSOLIDATED CAPITALIZATION**

The following table sets forth the consolidated capitalization of IPL as at March 31, 2013 and the unaudited pro forma consolidated capitalization of New Inter Pipeline as at March 31, 2013 after giving effect to the Internalization Transactions and the Arrangement, including the Amalgamation and the Preferred Share Exchange. See also the audited balance sheet of IPL attached as Schedule "A" to this Appendix and the unaudited pro forma consolidated financial statements of New Inter Pipeline attached as Appendix "E" to the Circular.

<i>(Tabular amounts in thousands of Canadian dollars)</i>	<b>Outstanding as at March 31, 2013 <sup>(1)</sup></b>	<b>Outstanding as at March 31, 2013 after giving effect to the Arrangement, Internalization Transactions, Amalgamation and Preferred Share Exchange (unaudited) (\$)</b>
\$1,550 million Unsecured Revolving Credit Facility <sup>(2)</sup>	Nil	1,344,350
\$750 million Unsecured Revolving Credit Facility <sup>(3)</sup>	Nil	388,600
Loan Payable to Noteholders <sup>(4)</sup>	Nil	288,648
Corridor Debentures <sup>(5)</sup>	Nil	300,000
Senior Unsecured Medium-Term Notes <sup>(6)</sup>	Nil	925,000
<b>Consolidated indebtedness <sup>(7)</sup></b>	<b>Nil</b>	<b>3,246,598</b>
Convertible Common Shares <sup>(8)</sup>	Nil	170,000
Common Shares <sup>(9)</sup>	Nil	2,570,341
Deficit, contributed surplus and reserves <sup>(10)</sup>	Nil	(1,053,477)
<b>Consolidated shareholders' equity <sup>(10)</sup></b>	<b>Nil</b>	<b>1,516,864</b>
<b>Consolidated capitalization</b>	<b>Nil</b>	<b>4,933,462</b>

Notes:

(1) IPL was incorporated at January 29, 2013, however it had not issued share capital at that time so the balance sheet is nil. Share capital of \$3.00 was issued in May, 2013.

(2) On December 15, 2011, Inter Pipeline (Corridor) Inc, ("**Corridor**") a wholly owned subsidiary, entered into a new restated \$1,550 million Unsecured Revolving Credit Facility and a \$25 million demand operating facility. The Unsecured Revolving Credit Facility had an initial maturity date of December 15, 2015. On December 15, 2012, Corridor extended the maturity date of the \$1,550 million Unsecured Revolving Credit Facility to December 15, 2016, which can be extended again under certain conditions.

See "*Details of the Arrangement – Arrangement Steps - PMI Assumption of Liabilities of Inter Pipeline*" in the Circular.

(3) On December 5, 2011, Inter Pipeline entered into a new restated \$750 million Unsecured Revolving Credit Facility. On December 5, 2012, Inter Pipeline extended the maturity date of the \$750 million Unsecured Revolving Credit Facility to December 5, 2017, which can be extended again under certain conditions. On April 19, 2013, Inter Pipeline increased the size of its Unsecured Revolving Credit Facility from \$750 million to \$1,250 million. On December 5, 2012, Inter Pipeline also entered into a new \$20 million demand facility.

See "*Details of the Arrangement – Arrangement Steps - PMI Assumption of Liabilities of Inter Pipeline*" in the Circular.

(4) On October 28, 2004, Inter Pipeline borrowed \$379.8 million from PMI with the following terms:

- \$91.2 million due October 28, 2012, 5.85%, which was repaid on October 29, 2012; and
- \$288.6 million due October 28, 2014, 6.15%.

On this date, PMI had received \$379.8 million by way of a Private Placement note issuance and immediately loaned the funds to Inter Pipeline.

This loan to Inter Pipeline from PMI has the identical repayment terms and commitments as the notes payable by PMI to the institutional note holders, except for an interest rate increase of 5 basis points over the rates payable on the notes issued by PMI. There are no scheduled repayments of the principal amounts of the notes payable to PMI prior to maturity. A prepayment may be made at any time, in which case PMI would generally be required to pay a premium of 50 basis points over the implied yield to maturity and, if applicable, swap breakage costs of the counterparty.

Inter Pipeline has guaranteed the notes issued by PMI to the note holders. The guarantee may be exercised in the event of default by PMI pursuant to the terms of the Note Purchase Agreement and is equal to the amount of principal outstanding at the time of default, including a premium of 50 basis points over the implied yield to maturity, accrued interest and, if applicable, swap breakage costs.

See "*Details of the Arrangement – Arrangement Steps - Repayment of Intercompany Loans – General Partner*" in the Circular.

- (5) The \$150 million 5.033% Series B debentures due February 2, 2015 and the \$150 million 4.897% Series C debentures due February 3, 2020 (Corridor Debentures) are unsecured obligations subject to the terms and conditions of a trust indenture dated February 1, 2005 and a supplemental indenture dated February 2, 2010. Interest is payable semi-annually in equal installments in arrears on February 2 and August 2 of each year, except for 2020 in which case interest is payable on the \$150 million 4.897% Series C debentures on February 3, 2020 for interest accrued for the period from and including August 2, 2019 to and including February 2, 2020. Corridor uses a derivative instrument to exchange its fixed rate of interest to floating rates of interest on the \$150 million 5.033% Series B debentures.

The Corridor Debentures are redeemable in whole, or in part, at the option of Corridor at a price equal to the principal amount to be redeemed, plus accrued and unpaid interest including a premium above the implied yield to maturity.

See "*Details of the Arrangement – Arrangement Steps - PMI Assumption of Liabilities of Inter Pipeline*" in the Circular.

- (6) In November 2012, Inter Pipeline filed a short form base shelf prospectus with Canadian regulatory authorities. Under provisions detailed in the short form base shelf prospectus, Inter Pipeline may offer and issue, from time to time: (i) Class A units; (ii) debt securities and (iii) subscription receipts (collectively, the "**Securities**") of up to \$3.0 billion aggregate initial offering price of Securities during the 25 month period that the short form base shelf prospectus is valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in one or more prospectus supplements. This short form base shelf prospectus replaces the previous one filed on November 30, 2010.

The Senior Unsecured Medium-Term Notes are comprised of the following:

- (i) On February 2, 2011, Inter Pipeline issued \$325 million of 4.967% Unsecured Medium-Term Notes, Series 1 (MTN Series 1) due February 2, 2021, in the Canadian public debt market. The MTN Series 1 were issued under Inter Pipeline's short form base shelf prospectus dated November 30, 2010, a related prospectus supplement dated January 19, 2011, and a related pricing supplement dated January 28, 2011. The MTN Series 1 bear interest at the rate of 4.967% per annum, payable semi-annually.
- (ii) On July 29, 2011, Inter Pipeline issued \$200 million of 3.839% Unsecured Medium-Term Notes, Series 2 (MTN Series 2) due July 30, 2018, in the Canadian public debt market. The MTN Series 2 were issued under the same short form base shelf prospectus and related prospectus supplement as the MTN Series 1 and a related pricing supplement dated July 26, 2011. The MTN Series 2 bear interest at a rate of 3.839% per annum, payable semi-annually.
- (iii) On May 28, 2012, Inter Pipeline issued \$400 million of 3.776% Senior Unsecured Medium-Term Notes, Series 3 (MTN Series 3) due May 30, 2022, in the Canadian public debt market. The MTN Series 3 were issued under the same short form base shelf prospectus and related prospectus supplement as the MTN Series 1 and the MTN Series 2 and a related pricing supplement dated May 23, 2012. The MTN Series 3 bear interest at the rate of 3.776% per annum, payable semi-annually.
- (iv) On July 19, 2013, Inter Pipeline issued \$500 million of 3.448% Senior Unsecured Medium-Term Notes, Series 4 (MTN Series 4) due July 20, 2020, in the Canadian public debt market. The MTN Series 4 were issued under Inter Pipeline's short form base shelf prospectus dated November 30, 2012, a related prospectus supplement and a related pricing supplement both dated July 16, 2013. The MTN Series 4 bear interest at the rate of 3.448% per annum, payable semi-annually. These Notes were not included in the Pro Forma Consolidated Capitalization above as they were not contemplated as part of the Arrangement.

See "*The Arrangement - Effect of the Arrangement on Holders of Medium-Term Notes*" in the Circular.

- (7) Consolidated indebtedness includes long-term debt and commercial paper but excludes transaction costs and discounts.
- (8) If approved, pursuant to the Arrangement and the Preferred Share Exchange, the holders of GP Holdco Class B Preferred Shares will receive one convertible common share in exchange for each GP Holdco Class B Preferred Share held. The convertible common shares will be converted to common shares on a one for one basis when the Foster Creek and Christina Lake projects are both generating revenue. If this does not occur prior to January 1, 2017, the convertible common shares will be exchanged on a 70/170th basis.

- (9) IPL is authorized to issue an unlimited number of Class A voting common shares ("**Common Shares**"). Pursuant to the Arrangement, Inter Pipeline's class A unitholders receive one common share of IPL in exchange for each class A partnership unit held on the effective date of the Arrangement. Authorized capital consists of an unlimited number of common and convertible shares. Common shares are without par value and are entitled to any dividends declared on this class of share. If approved, pursuant to the Arrangement and the Preferred Share Exchange, the holders of GP Holdco Class A Preferred Shares will receive one Common Share in exchange for each GP Holdco Class A Preferred Share held.
- (10) Consolidated shareholders' equity as set forth in this table is equal to the book value of the common shares as set forth in this table, deficit of (\$1,012 million), contributed surplus of \$2 million and reserves of (\$43 million).

## **DIVIDEND RECORD AND POLICY**

### **General**

New Inter Pipeline has not declared or paid any dividends since its incorporation and will not declare any dividends prior to completion of the Arrangement.

Following the completion of the Arrangement, New Inter Pipeline currently anticipates declaring cash dividends on a monthly basis to Shareholders of record on the applicable month and paying such dividends on or about the 15<sup>th</sup> day of the month immediately following. Furthermore, it is currently anticipated that each monthly dividend will be in the amount of \$0.095 per Common Share, representing an annual dividend of \$1.14 per Common Share, the first of which is expected to be paid on or about October 15, 2013 to Shareholders of record on September 23, 2013. New Inter Pipeline expects to designate any dividends paid as "eligible dividends" for Canadian federal income tax purposes, which are anticipated to qualify for the enhanced federal dividend tax credit in Canada.

Notwithstanding the foregoing, the amount of any dividends payable by New Inter Pipeline will be at the discretion of the Board of Directors of New Inter Pipeline from time to time. The amount may vary depending on, among other things, New Inter Pipeline's earnings, financial requirements for New Inter Pipeline's operations, the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends and other conditions existing from time to time.

### **Restrictions on Dividends**

The ability of Inter Pipeline Ltd. to pay cash dividends to Shareholders may be directly affected in certain events and as a result of certain restrictions. These events and restrictions are similar to those affecting Inter Pipeline's ability to make cash distributions to Unitholders. In addition, the ABCA provides that a corporation shall not declare or pay a dividend if there are reasonable grounds for believing that (i) the corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. See also "*Distributions*" in the MD&A, which is incorporated by reference in the Circular.

## **PRIOR SALES**

Prior to the Effective Date, IPL has not and will not issue any securities other than the one Common Share currently held by the Trust.

## **PRINCIPAL SHAREHOLDERS**

As of the date hereof, the Trust is the sole shareholder of IPL, holding one Common Share. Pursuant to the Arrangement, the one Common Share held by the Trust will be repurchased and cancelled.

To the knowledge of the Board of Directors, no person or company will, following the Arrangement, beneficially own, control or direct, directly or indirectly, more than 10% of the voting rights attached to the outstanding Common Shares, other than CDS & Co.

### **DIRECTORS AND EXECUTIVE OFFICERS**

Following the completion of the Arrangement, it is anticipated that the Board of Directors of New Inter Pipeline will be comprised initially of all of the current members of the Board of Directors of PMI being Messrs. Driscoll, Fesyk, Keinick, Robertson, Shaw, Brown and Sangster. The management of New Inter Pipeline will be the same as the management of PMI. See "*Directors and Officers*" in the AIF.

### **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

To date, IPL has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by IPL to its directors or executive officers. Following the completion of the Arrangement, the directors and executive officers of New Inter Pipeline will be compensated in a similar manner as the directors and executive officers of PMI. The Arrangement will not result in any benefits for, or change of control, termination or other payments being made to, any officers, directors or employees of Inter Pipeline or any of its subsidiaries or of PMI.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

There exists no indebtedness of the directors or executive officers of New Inter Pipeline, or any of their associates, to IPL, nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by New Inter Pipeline.

### **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

#### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of IPL, no director or executive officer of Inter Pipeline Ltd. and no proposed director or executive officer of IPL: (a) is, as at the date hereof, or has been, within the 10 years before the date of the Circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) is, as at the date of the Circular, or has been within 10 years before the date of the Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of the insolvency was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) has, within the 10 years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee.

## **Penalties or Sanctions**

To the knowledge of New Inter Pipeline, no director or executive officer of New Inter Pipeline and no proposed director or executive officer of New Inter Pipeline, nor any personal holding company thereof owned or controlled by them: (a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Personal Bankruptcies**

To the knowledge of New Inter Pipeline, in the last 10 years, no director or executive officer of Inter Pipeline Ltd. and no proposed director or executive officer of New Inter Pipeline, nor any personal holding company thereof owned or controlled by them, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets or the assets of his or her holding company.

## **CONFLICTS OF INTEREST**

Except as disclosed in the Circular, including in this Appendix, no director or senior officer of IPL or proposed director or senior officer of New Inter Pipeline or other insider of New Inter Pipeline, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with IPL or any of its subsidiaries.

## **RISK FACTORS**

Risk factors related to the businesses of Inter Pipeline will generally continue to apply to New Inter Pipeline after the Effective Date and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of, and an investment in, New Inter Pipeline will be subject to various risk factors set forth under the headings entitled "*Risk Factors*" in the Circular and "*Risk Factors*" in the MD&A, which is incorporated by reference in the Circular. Potential Shareholders should consider carefully the information contained herein and in the materials incorporated by reference in the Circular.

## **LEGAL PROCEEDINGS**

Other than the proceedings relating to the approval of the Arrangement, there are no legal proceedings to which IPL is a party or in respect of which any of its assets are the subject matter, which is material to IPL and IPL is not aware of any such proceedings that are contemplated.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in the Circular, including the documents incorporated by reference in the Circular, to the knowledge of the directors and officers of IPL no "informed person" (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), or any of its associates or affiliates, has had any material interest, direct or indirect, in any transaction of IPL since January 1, 2009 or in any proposed transaction which has materially affected or would materially affect IPL or any of its subsidiaries.

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

### **Auditors**

The auditors of IPL are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the Common Shares is Computershare at its principal offices in Calgary, Alberta and Toronto, Ontario.

## **MATERIAL CONTRACTS**

The only contract entered into by IPL that materially affects IPL, since incorporation or to which IPL will become a party on or prior to the Effective Date, that can reasonably be regarded as material to a proposed investor in the Common Shares, other than contracts entered into in the ordinary course of business or the contracts entered into in connection with the Internalization Transactions and previously filed on SEDAR by Inter Pipeline, is the Arrangement Agreement. A copy of the Arrangement Agreement is attached at Appendix "A" to the Circular.



**SCHEDULE "A"**

**AUDITED BALANCE SHEET OF INTER PIPELINE LTD.**

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of **Inter Pipeline Ltd.**

We have audited the accompanying balance sheet of **Inter Pipeline Ltd.** as at May 31, 2013 and the summary of significant accounting policies and other explanatory information (together the "financial statement").

### **Management's responsibility for the financial statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of **Inter Pipeline Ltd.** as at May 31, 2013, in accordance with International Financial Reporting Standards.

Calgary, Canada  
July 22, 2013

*Ernst & Young LLP*  
Chartered Accountants

Inter Pipeline Ltd. (formerly 1726761 Alberta Ltd.)

## Balance Sheet

	As at May 31	
(Canadian dollars)	2013	
Current Assets		
Cash and cash equivalents	\$	3
Investment in 1740974 Alberta Ltd.		1
<b>Total Assets</b>	<b>\$</b>	<b>4</b>
Current Liabilities		
Payable to 1740974 Alberta Ltd.	\$	1
<b>Total Liabilities</b>		<b>1</b>
Subsequent events (note 4)		
Shareholders' Equity		
Share capital (note 3)		3
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$</b>	<b>4</b>

See accompanying notes to the financial statements.

On behalf of the Board of Inter Pipeline Ltd.:

(Signed) William D. Robertson  
Director

**Inter Pipeline Ltd. (formerly 1726761 Alberta Ltd.)**

**Notes to Financial Statements**

As at May 31, 2013

(tabular amounts in Canadian dollars, except as otherwise indicated)

**1. INCORPORATION AND BASIS OF PREPARATION**

Inter Pipeline Ltd. (the Corporation) was incorporated as 1726761 Alberta Ltd. under the provisions of the Business Corporations Act (Alberta) on January 29, 2013. On May 31, 2013, the Corporation filed articles of amendment to change its name to Inter Pipeline Ltd. and to issue one class A common share to Inter Pipeline GP Holding Trust (Trust) for cash consideration of three dollars. On May 31, 2013, the Corporation subscribed for one class A voting common share without nominal or par value in the authorized capital of 1740974 Alberta Ltd., a company that is ultimately controlled by the same parent, for cash consideration of one dollar.

Other than the issuance of one class A common share, holding a one dollar investment in 1740974 Alberta Ltd., purchase of a call right (note 4) and the execution of an arrangement agreement dated July 23, 2013 (note 4), there have been no other activities and the Corporation will be inactive until the arrangement is completed. The Corporation was formed to become the ultimate parent in the proposed Arrangement described below (note 4). This balance sheet has been prepared in accordance with International Financial Reporting Standards (IFRS).

The head office, principal address and records office of Inter Pipeline Ltd. are located in Calgary, Alberta, Canada.

These audited financial statements were approved by the Board of Directors on July 22, 2013.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Cash and Cash Equivalents**

Cash and cash equivalents consist of bank accounts and cash on hand.

**(b) Investment in 1740974 Alberta Ltd.**

Inter Pipeline Ltd.'s investment in 1740974 Alberta Ltd. is recorded at cost.

**3. SHARE CAPITAL**

**Authorized:**

An unlimited number of class A common shares, voting; and

An unlimited number of convertible common shares, non-voting.

Common shares are without par value and are entitled to any dividends declared on this class of share. Convertible common shares are not entitled to receive dividends. Convertible common shares shall be converted automatically, on conversion date, into class A common shares on the basis of one class A common share for each convertible common share, subject to certain adjustments.

**Issued:**

<b>Class A Common Shares</b>	<b>Number</b>	<b>Amount</b>
Issued	1	\$ 3
Balance, May 31, 2013	1	\$ 3

**Inter Pipeline Ltd. (formerly 1726761 Alberta Ltd.)**

*Notes to Financial Statements*

As at May 31, 2013

(tabular amounts in Canadian dollars, except as otherwise indicated)

**4. SUBSEQUENT EVENTS**

On June 1, 2013, Inter Pipeline Ltd. entered into a call option agreement with the Trust, whereby the Trust granted to Inter Pipeline Ltd. the right, but not the obligation, to purchase from the Trust and require the Trust to sell to Inter Pipeline Ltd. the one class A voting common share it owns in 1740974 Alberta Ltd. at any time on or after certain dates at a price equal to the fair market value on the call date. Inter Pipeline Ltd. paid one dollar to the Trust in consideration for the Trust granting Inter Pipeline Ltd. the call right.

On July 22, 2013, the Board of Directors of Pipeline Management Inc. as the general partner of Inter Pipeline Fund (Inter Pipeline), a limited partnership under common control with Inter Pipeline Ltd., approved a proposed transaction providing for the reorganization of Inter Pipeline into a corporate structure through a Plan of Arrangement (Arrangement). If the reorganization is approved by holders (Unitholders) of Inter Pipeline's class A limited partnership units (Class A Units) and the Court of Queen's Bench of Alberta, Unitholders will receive, for each Class A Unit held, one common share of the Corporation on the effective date of the Arrangement. Under IFRS the Arrangement will be accounted for as a common control business transaction. As a result, the consolidated financial statements of the Corporation will reflect the assets and liabilities of Inter Pipeline at the respective carrying amounts and comparative information will be that of Inter Pipeline as previously reported.



**APPENDIX E**

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF INTER PIPELINE LTD.**





## Pro Forma Interim Consolidated Balance Sheet

As at March 31, 2013

(unaudited) (thousands of Canadian dollars)	Inter Pipeline Ltd.	Inter Pipeline Fund	Pro Forma Adjustments	Note	Pro Forma Inter Pipeline Ltd.
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ -	\$ 41,353	\$ -		\$ 41,353
Accounts receivable	-	137,500	-		137,500
Derivative financial instruments	-	18,036	-		18,036
Prepaid expenses and other deposits	-	32,176	-		32,176
<b>Total Current Assets</b>	<b>-</b>	<b>229,065</b>	<b>-</b>		<b>229,065</b>
Non-Current Assets					
Derivative financial instruments	-	3,871	-		3,871
Property, plant and equipment	-	5,162,829	-		5,162,829
Goodwill and intangible assets	-	610,256	-		610,256
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 6,006,021</b>	<b>\$ -</b>		<b>\$ 6,006,021</b>
<b>LIABILITIES AND EQUITY</b>					
Current Liabilities					
Distributions payable to unitholders	\$ -	\$ 25,680	\$ (25,680)	2(a)	\$ -
Dividends payable to shareholders	-	-	25,680	2(a)	25,680
Accounts payable and accrued liabilities	-	456,093	-		456,093
Current income taxes payable	-	14,674	-		14,674
Derivative financial instruments	-	6,077	-		6,077
Deferred revenue	-	14,332	-		14,332
Commercial paper	-	1,341,556	-		1,341,556
<b>Total Current Liabilities</b>	<b>-</b>	<b>1,858,412</b>	<b>-</b>		<b>1,858,412</b>
Non-Current Liabilities					
Long-term debt	-	1,890,019	-		1,890,019
Convertible shares	-	-	170,000	2(b)	170,000
Long-term payable	-	3,871	-		3,871
Derivative financial instruments	-	11	-		11
Provisions	-	59,900	-		59,900
Employee benefits	-	5,294	-		5,294
Long-term deferred revenue and other liabilities	-	15,929	-		15,929
Deferred income taxes	-	389,151	-		389,151
<b>Total Liabilities</b>	<b>-</b>	<b>4,222,587</b>	<b>170,000</b>		<b>4,392,587</b>
Commitments					
Shareholders' / Partners' Equity					
Partners' equity	-	1,730,201	(1,730,201)	2(c)	-
Shareholders' equity	-	-	1,516,864	2(c)	1,516,864
Total reserves	-	(43,337)	43,337	2(c)	-
<b>Total Shareholders' / Partners' Equity</b>	<b>-</b>	<b>1,686,864</b>	<b>(170,000)</b>		<b>1,516,864</b>
Non-Controlling Interest	-	96,570	-		96,570
<b>Total Equity</b>	<b>-</b>	<b>1,783,434</b>	<b>(170,000)</b>		<b>1,613,434</b>
<b>Total Liabilities and Equity</b>	<b>\$ -</b>	<b>\$ 6,006,021</b>	<b>\$ -</b>		<b>\$ 6,006,021</b>

See accompanying notes to the unaudited pro forma consolidated financial statements.

## Pro Forma Interim Consolidated Statements of Income

Three Months Ended March 31, 2013

(unaudited) (thousands of Canadian dollars)	Inter Pipeline Ltd.	Inter Pipeline Fund	Pro Forma Adjustments	Note	Pro Forma Inter Pipeline Ltd.
<b>REVENUES</b>					
Operating revenues	\$ -	\$ 327,679	\$ -		\$ 327,679
<b>EXPENSES</b>					
Shrinkage gas	-	61,594	-		61,594
Midstream product purchases	-	13,955	-		13,955
Operating	-	81,045	-		81,045
Depreciation and amortization	-	30,926	-		30,926
Financing charges	-	23,878	-		23,878
General and administrative	-	16,248	-		16,248
Unrealized change in fair value of derivative financial instruments	-	716	-		716
Management and incentive fees to General Partner	-	4,182	(4,182)	3(a)	-
Loss on disposal of assets	-	1,733	-		1,733
	-	234,277	(4,182)		230,095
<b>INCOME BEFORE INCOME TAXES</b>	-	93,402	4,182		97,584
<b>Provision for income taxes</b>					
Current	-	14,519	1,048	3(b)	15,567
Deferred	-	6,651	-		6,651
	-	21,170	1,048		22,218
<b>NET INCOME</b>	\$ -	\$ 72,232	\$ 3,134		\$ 75,366
<b>Net income attributable to</b>					
Shareholders of Inter Pipeline Limited	\$ -	\$ 69,651	\$ 3,134		\$ 72,785
Non-controlling interest	-	2,581	-		2,581
	\$ -	\$ 72,232	\$ 3,134		\$ 75,366
<b>Earnings per share attributable to shareholders of Inter Pipeline Limited</b>					
Basic and diluted (note 3(c))	\$ -	\$ 0.25			\$ 0.25

See accompanying notes to the unaudited pro forma consolidated financial statements.

## Pro Forma Consolidated Statements of Income

Year Ended December 31, 2012

(unaudited) (thousands of Canadian dollars)	Inter Pipeline Ltd.	Inter Pipeline Fund	Pro Forma Adjustments	Note	Pro Forma Inter Pipeline Ltd.
<b>REVENUES</b>					
Operating revenues	\$ -	\$ 1,205,991	\$ -		\$ 1,205,991
<b>EXPENSES</b>					
Shrinkage gas	-	206,525	-		206,525
Midstream product purchases	-	31,905	-		31,905
Operating	-	300,806	-		300,806
Depreciation and amortization	-	124,593	-		124,593
Financing charges	-	97,604	-		97,604
General and administrative	-	64,046	-		64,046
Unrealized change in fair value of derivative financial instruments	-	(44,363)	-		(44,363)
Acquisition fee to General Partner	-	4,591	(4,591)	3(a)	-
Management and incentive fees to General Partner	-	13,832	(13,832)	3(a)	-
Loss on disposal of assets	-	175	-		175
	-	799,714	(18,423)		781,291
<b>INCOME BEFORE INCOME TAXES</b>	-	406,277	18,423		424,700
<b>Provision for income taxes</b>					
Current	-	57,042	4,613	3(b)	61,655
Deferred	-	32,253	-		32,253
	-	89,295	4,613		93,908
<b>NET INCOME</b>	\$ -	\$ 316,982	\$ 13,810		\$ 330,792
<b>Net income attributable to</b>					
Shareholders of Inter Pipeline Limited	\$ -	\$ 307,153	\$ 13,810		\$ 320,963
Non-controlling interest	-	9,829	-		9,829
	\$ -	\$ 316,982	\$ 13,810		\$ 330,792
<b>Earnings per share attributable to shareholders of Inter Pipeline Limited</b>					
Basic and diluted (note 3(c))	\$ -	\$ 1.14			\$ 1.13

\* Reflects adoption of IFRS 10, 11, 12, 13 and revisions to IAS 19, as disclosed in Inter Pipeline Fund's unaudited interim consolidated financial statements for the three month period ended March 31, 2013.

See accompanying notes to the unaudited pro forma consolidated financial statements.

**Inter Pipeline Ltd.****Notes to Pro Forma Consolidated Financial Statements****(unaudited)**

As at and for the three months ended March 31, 2013 and for the year ended December 31, 2012  
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

**1. BASIS OF PREPARATION**

1726761 Alberta Ltd. (the Corporation) was incorporated under the provisions of the Business Corporations Act (Alberta) on January 29, 2013. On May 31, 2013, the Corporation changed its name to Inter Pipeline Ltd. and issued one class A common share to Inter Pipeline GP Holding Trust for a nominal amount.

On June 1, 2013, Inter Pipeline Fund completed several internal transactions related to the restructuring of its current limited partnership structure to position the business for a planned conversion to a corporate form (Corporate Conversion). Inter Pipeline Fund settled the provisions of its management contract by indirectly purchasing Pipeline Management Inc., its general partner (the General Partner), for initial consideration of \$170 million, plus adjustments of \$8.6 million, and a future second instalment of \$170 million, which is partially contingent on the outcome of certain organic growth projects in the Foster Creek and Christina Lake areas currently under development. New diluent delivery services to the Foster Creek and Christina Lake projects are expected to be operational in mid 2014 and new bitumen blend facilities in support of the Foster Creek project are expected to be in service in early 2015. In the event that the Foster Creek and Christina Lake projects are not both generating revenue by January 1, 2017, the amount of the second instalment will be reduced to \$70 million.

These transactions (the Internalization Transactions) were designed to eliminate all future management, acquisition, divestiture and incentive fees payable to an external manager.

The General Partner currently holds a 0.1% partnership interest in Inter Pipeline Fund represented by Class B units. Public investors hold the remaining 99.9% partnership interest as limited partners represented by Class A units. The General Partner's 0.1% partnership interest is controlled by Pipeline Assets Corp. (PAC). The General Partner is a wholly owned subsidiary of PAC, a corporation controlled solely by the Chairman of the Board of the General Partner. Assuming the Corporate Conversion occurs, PAC's shareholders have agreed to accept all consideration in the form of preferred shares in Inter Pipeline GP Corp., a new corporation established for the purpose of the Internalization Transactions, rather than cash.

As a result of the Internalization Transactions, the PAC shareholders received consideration in the form of preferred shares in Inter Pipeline GP Corp. Following approval of the Corporate Conversion, Class B preferred shares in Inter Pipeline GP Corp. will be exchanged for convertible common shares in Inter Pipeline Ltd. The convertible common shares will be converted to common shares on a one for one basis when the Foster Creek and Christina Lake projects are both generating revenue. If this does not occur prior to January 1, 2017, the convertible common shares will be exchanged on a 70/170th basis.

For purposes of these unaudited pro forma consolidated financial statements it is assumed that all of the preferred shares issued in relation to the initial payment will be exchanged for common shares of Inter Pipeline Fund's successor, Inter Pipeline Ltd., upon unitholder approval of the Corporate Conversion. Similarly, it is assumed that the full \$170 million in preferred shares issued in relation to the second instalment will ultimately be converted into common shares of Inter Pipeline Ltd. upon revenue commencement from the two identified oil sands expansion projects (Conversion Date), as it has been assumed that revenue commencement will occur prior to January 1, 2017.

Inter Pipeline Fund was formed as a limited partnership under the laws of Alberta pursuant to a Limited Partnership Agreement (LPA) dated October 9, 1997. Pursuant to the LPA, the General Partner is required to maintain a minimum 0.1% interest in Inter Pipeline Fund. Inter Pipeline Fund is dependent on the General Partner for administration and management of all matters relating to the operation of Inter Pipeline Fund.

**Inter Pipeline Ltd.****Notes to Pro Forma Consolidated Financial Statements****(unaudited)**

As at and for the three months ended March 31, 2013 and for the year ended December 31, 2012  
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Under the LPA, the General Partner is entitled to recover all direct and indirect expenses, including general and administrative expenses, incurred on behalf of Inter Pipeline Fund. The General Partner also receives an annual base fee equal to 2% of Inter Pipeline Fund's annual "Operating Cash" as defined in the LPA. In addition, the General Partner is entitled to earn an annual incentive fee of 15% of Inter Pipeline Fund's annual distributable cash, as defined in the LPA (LPA Distributable Cash), in excess of \$1.01 per unit annually but less than or equal to \$1.10 per unit annually, 25% of available Distributable Cash in excess of \$1.10 per unit annually but less than or equal to \$1.19 per unit annually, and 35% of available Distributable Cash in excess of \$1.19 per unit annually; an acquisition fee of 1.0% of the purchase price of any assets acquired by Inter Pipeline Fund (excluding the pipeline assets originally acquired); and a disposition fee of 0.5% of the sale price of any assets sold by Inter Pipeline Fund.

Following the planned Corporate Conversion, Inter Pipeline Fund's assets, liabilities, revenues and expenses will be transferred to Inter Pipeline Ltd.; Inter Pipeline Fund will be dissolved; and the LPA will be terminated. As a result, Inter Pipeline Ltd. will no longer be required to pay management, acquisition, divestiture and incentive fees to the General Partner. In terms of costs incurred by the General Partner related to administration and management of all matters relating to the operation of Inter Pipeline Fund, these costs have historically been recorded in the financial statements of Inter Pipeline Fund as operating or general and administrative expenses. As a result, Inter Pipeline Ltd. will not experience a significant increase in general and administrative expenses related to administration and management of Inter Pipeline Ltd., which would otherwise have been incurred by the General Partner and reimbursed by Inter Pipeline Fund. The Corporate Conversion, including the indirect purchase of Pipeline Management Inc., will be accounted for as transactions between entities under common control. As a result, the consolidated financial statements of Inter Pipeline Ltd. will reflect the assets and liabilities of Inter Pipeline Fund at the respective carrying amounts and comparative information will be that of Inter Pipeline Fund as previously reported.

These unaudited pro forma financial statements have been prepared on the same basis as Inter Pipeline Fund's interim consolidated financial statements for the three months ended March 31, 2013. The accompanying unaudited pro forma consolidated balance sheet of Inter Pipeline Ltd. as at March 31, 2013 has been prepared by management and reflects an assumed Corporate Conversion at March 31, 2013. The unaudited pro forma consolidated statements of net income and comprehensive income for the three months ended March 31, 2013 and for the year ended December 31, 2012, of Inter Pipeline Ltd. have been prepared by management and reflect an assumed Corporate Conversion at January 1, 2012. Management has identified pro forma adjustments related to the Corporate Conversion as described in notes 2 and 3.

These unaudited pro forma consolidated financial statements may not be indicative of the results which may be obtained in the future. These unaudited pro forma consolidated financial statements should be read in conjunction with Inter Pipeline Fund's audited consolidated financial statements and notes thereto for the year ended December 31, 2012, and Inter Pipeline Fund's unaudited interim consolidated financial statements for the three months ended March 31, 2013.

On July 19, 2013, Inter Pipeline Fund issued \$500 million of senior unsecured medium-term notes in the Canadian public debt market. The notes have a fixed interest rate of 3.448% per annum, payable semi-annually and mature on July 20, 2020. The notes offering is not included in the unaudited pro forma consolidated financial statement as it was not contemplated as part of planned Corporate Conversion.

**Inter Pipeline Ltd.****Notes to Pro Forma Consolidated Financial Statements****(unaudited)**

As at and for the three months ended March 31, 2013 and for the year ended December 31, 2012  
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

**2. BALANCE SHEET PRO FORMA ADJUSTMENTS AND ASSUMPTIONS**

The unaudited pro forma consolidated balance sheet as at March 31, 2013 gives effect to the following assumptions and adjustments as if they occurred on March 31, 2013:

- (a) Distributions payable to unitholders of \$25.7 million as at March 31, 2013, is reclassified on the balance sheet from distributions payable to unitholders to dividends payable to shareholders.
- (b) For purposes of the unaudited pro forma financial statements it has been assumed the Foster Creek and Christina Lake projects will be generating revenue within the specified timeframe and the full financial liability of \$170 million has been recorded as a pro forma adjustment, representing the estimated fair value of the convertible common shares.
- (c) On Corporate Conversion partners' equity and reserves have been recorded as shareholders' equity in one line item on the pro forma consolidated balance sheet, as outlined in the table below:

As at March 31, 2013

	Inter Pipeline Ltd.	Inter Pipeline Fund	Pro Forma Adjustments	Pro Forma Inter Pipeline Ltd.
Partners' equity	\$ -	\$ 1,730,201	\$ (1,730,201)	\$ -
Share capital (note 2 (d))	-	-	2,570,341	2,570,341
Deficit (note 2(e))	-	-	(1,012,597)	(1,012,597)
Contributed surplus	-	-	2,457	2,457
Reserves	-	(43,337)	-	(43,337)
<b>Total Shareholders' Equity</b>	<b>\$ -</b>	<b>\$ 1,686,864</b>	<b>\$ (170,000)</b>	<b>\$ 1,516,864</b>

- (d) Pursuant to the Corporate Conversion, Inter Pipeline Fund's Class A unitholders receive one common share of Inter Pipeline Ltd. in exchange for each Class A partnership unit held on the effective date of the Corporate Conversion amounting to \$2.4 billion. In addition, following approval of the Corporate Conversion, Class A preferred shares in Inter Pipeline GP Corp. are exchanged for common shares in Inter Pipeline Ltd. amounting to \$178.6 million. Authorized capital consists of an unlimited number of common and convertible shares. Common shares are without par value and are entitled to any dividends declared on this class of share. Convertible shares are not entitled to receive dividends. Convertible shares shall be converted automatically, on Conversion Date, into common shares on the basis of one common share for each convertible share, subject to certain adjustments.

**Inter Pipeline Ltd.****Notes to Pro Forma Consolidated Financial Statements****(unaudited)**

As at and for the three months ended March 31, 2013 and for the year ended December 31, 2012  
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

**Issued, Fully Paid and Outstanding**

<b>Class A Partnership Units</b>	Number	Amount
Balance, March 31, 2013, prior to Corporate Conversion	277,339,802	\$ 2,391,757
Converted into common shares	(277,339,802)	(2,391,757)
Balance, March 31, 2013	-	\$ -

<b>Common Shares</b>	Number	Amount
Balance, March 31, 2013, prior to Corporate Conversion	-	\$ -
Converted from Class A Partnership Units	277,339,802	2,391,757
Exchange of class A preferred shares for common shares	7,411,683	178,584
Balance, March 31, 2013	284,751,485	\$ 2,570,341

- (e) Inter Pipeline Fund included deficit within partners' equity on the balance sheet. As a result of Corporate Conversion, Inter Pipeline Ltd. has recorded a deficit within shareholders' equity on the balance sheet. Certain other adjustments in the unaudited pro forma consolidated financial statements discussed above have also been recorded to deficit. In addition, Inter Pipeline Fund's Class B units are terminated on dissolution of Inter Pipeline Fund, which amounts to a reduction in deficit of \$1.7 million. The following table includes all pro forma adjustments impacting deficit:

**Deficit**

	Note	Pro Forma Inter Pipeline Ltd.
Balance, March 31, 2013, prior to Corporate Conversion		\$ -
Reclassification of deficit from partners' equity	2(c)	665,741
Elimination of Class B units in Inter Pipeline Fund	2(e)	(1,728)
Management internalization - Class A preferred shares in Inter Pipeline GP Corp	2(d)	178,584
Management internalization - Class B preferred shares in Inter Pipeline GP Corp	2(b)	170,000
Balance, March 31, 2013		\$ 1,012,597

**Inter Pipeline Ltd.****Notes to Pro Forma Consolidated Financial Statements****(unaudited)**

As at and for the three months ended March 31, 2013 and for the year ended December 31, 2012  
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

### 3. STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME PRO FORMA ADJUSTMENTS AND ASSUMPTIONS

The unaudited pro forma consolidated statements of net income and comprehensive income for the three months ended March 31, 2013 and for the year ended December 31, 2012 give effect to the following assumptions and adjustments as if they occurred on January 1, 2012:

- (a) Following Corporate Conversion the LPA is terminated and, as a result, Inter Pipeline Ltd. is no longer required to pay management fees to the General Partner. The impact is an increase in income before income taxes of \$4.2 million for the three months ended March 31, 2013. For the year ended December 31, 2012, acquisition fees of \$4.6 million and management and incentive fees of \$13.8 million are eliminated; and, as a result, income before income taxes increases by \$18.4 million.
- (b) As a result of the elimination of management, incentive and acquisition fees, additional current income taxes of \$1.0 million are required to be accrued for the three months ended March 31, 2013, and \$4.6 million for the year ended December 31, 2012.
- (c) Pro forma net income per share attributable to shareholders has been adjusted for both periods presented in the unaudited pro forma consolidated financial statements as a result of the changes noted above. Common shares share equally on a pro rata basis in the allocation of pro forma net income attributable to shareholders. The number of diluted units outstanding is calculated using the Treasury Stock method based on the weighted average number of shares outstanding for each of the periods presented. Shares (basic and diluted) were adjusted to exclude Inter Pipeline Fund's Class B units and include additional share capital issued in Inter Pipeline Ltd. in exchange for Class A preferred shares in Inter Pipeline GP Corp., as well as convertible shares issued in Inter Pipeline Ltd. in exchange for Class B preferred shares in Inter Pipeline GP Corp., pursuant to the Corporate Conversion. In addition, it is assumed the Premium Distribution™ and Distribution Reinvestment Plan will continue following Corporate Conversion. Shares issued for Corporate Conversion have not been taken into consideration in the calculation of the effect of Premium Distribution™ and Distribution Reinvestment Plan. Pro forma net income per share attributable to shareholders is presented as follows:

	Three Months Ended March 31 2013	Year ended December 31 2012
Pro forma net income attributable to shareholders – basic and diluted	\$ 72,785	\$ 320,963
Weighted average shares outstanding – basic	290,586,063	284,094,004
Effect of Premium Distribution™ and Distribution Reinvestment Plan	598,432	695,671
Weighted average shares outstanding – diluted	291,184,495	284,789,675
Pro forma net income per share attributable to shareholders – basic and diluted	\$ 0.25	\$ 1.13

™ Denotes trademark of Canaccord Capital Corporation









**Any questions and requests for assistance may be directed to Inter Pipeline Fund's  
Proxy Solicitation Agent:**



**North American Toll Free Phone:**

**1-800-884-4590**

**Banks, Brokers and collect calls: 201-806-2222**

**Toll Free Facsimile: 1-888-509-5907**

**Email: [inquiries@phoenixadvisorscst.com](mailto:inquiries@phoenixadvisorscst.com)**