

**PIPELINE MANAGEMENT INC.
COMPENSATION COMMITTEE TERMS OF REFERENCE**

GENERAL

This document establishes terms of reference for the Compensation Committee of Pipeline Management Inc. (the "Company").

The Company is the General Partner of a limited partnership, Inter Pipeline Fund (the "Partnership"). Class "A" units of the Partnership are traded on The Toronto Stock Exchange. As General Partner, the Company is responsible for the management of both the Company and the Partnership. As such, the Compensation Committee's responsibilities relate to both the Company and the Partnership and this document is intended to apply to both the Company and the Partnership.

It is important that the management of the Company and the Partnership is working effectively and efficiently. A key component of management is the setting of incentives through compensation for the Company's employees. Fundamental to this process are the activities of the Compensation Committee, a committee of the Board of Directors.

PURPOSE

Responsibility for development and application of the compensation philosophy for Company employees lies with senior management with oversight responsibilities vested in the Board of Directors. The Compensation Committee is a permanent committee of the Board whose purpose is to assist the Board by dealing with specific issues which may affect the compensation of the Company's senior management and the application of the compensation philosophy to the Company employees reporting through senior management.

RESPONSIBILITIES

The Compensation Committee will be responsible for:

- (a) Reviewing and approving corporate goals and objectives relative to Chief Executive Officer ("CEO") compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and making recommendations to the Board of Directors with respect to the CEO's compensation level based on this evaluation;
- (b) Making recommendations to the Board of Directors with respect to non-CEO officer and director compensation, incentive-compensation plans and unit or equity-based plans;
- (c) Reviewing executive compensation disclosure before the issuer publicly discloses this information;
- (d) Reviewing the compensation philosophy of the Company and making recommendations to the Board of Directors as to changes to improve the Company's ability to recruit, retain and motivate employees;
- (e) Reviewing the compensation packages of Company employees who hold positions of senior management and making recommendations on appropriate forms and levels of compensation for such employees to the Board of Directors;
- (f) Reviewing the application of the Company's compensation philosophy to Company employees reporting through senior management and making recommendations to the Board of Directors as to appropriate levels of authority for senior management as to compensation of those employees;
- (g) Investigating and reporting to the Board of Directors as to the implementation and administration of the Unit Incentive Option Plan and the Unit Appreciation Rights Plan and making recommendations to the Board as to the application of such plans and any proposed amendments thereto.

The Compensation Committee clearly places the onus of reporting employee compensation matters that may be of concern to the Committee or the Board of Directors with senior management of the Company.

COMPENSATION COMMITTEE PROCEDURES

The Compensation Committee shall consist of at least three directors, all of whom shall be independent directors.

Members of the Compensation Committee and a Chair of the Compensation Committee shall be appointed annually at the meeting of the Board of Directors at which the financial statements for the preceding year end are approved, and shall hold office until the next meeting where financial statements for the preceding year are approved, or until their successors are appointed, or until they cease to be directors of the Company.

Where a vacancy occurs at any time in the membership of the Compensation Committee, it may be filled by the Board of Directors and shall be filled by the Board of Directors if the membership of the Compensation Committee is less than three directors.

The Compensation Committee shall meet at least annually, or more frequently as deemed necessary by the Chair. The Chair shall prepare and/or approve an agenda in advance of each meeting and shall convene and direct meetings of the Compensation Committee.

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

The Compensation Committee shall appoint a Secretary who need not be a director of the Company.

A quorum for a meeting of the Compensation Committee shall consist of a simple majority of the members of the Compensation Committee. Meetings may be held by conference call with the consent of the Compensation Committee.

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

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

The Compensation Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Compensation Committee may deem appropriate.

The Compensation Committee has authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

The Compensation Committee shall review its terms of reference annually or otherwise, as it deems appropriate and propose or recommend changes to the Board of Directors.

Amendments approved by the Board of Directors – November 9, 2006.