



interpipeline

Statement of Partnership Income 2005 Income Tax Supplementary Information

Please find attached the tax results of the Inter Pipeline Fund its 2005 operations. From a Canadian income tax perspective, a partnership is not a taxable entity and as such, the income earned by the partnership must be allocated to the members of the partnership. For 2005, Inter Pipeline Fund declared and paid cash distributions totaling \$0.7525 per unit. Based on a cash distribution basis, the 2005 taxable income represents 36.8169% (combining business income, interest from Canadian sources, foreign dividend and interest income and less carrying charges) of the total cash distributions declared in 2005. The remaining 63.1831% is a return of capital.

For your assistance, we have provided some information regarding the amounts as reported on Form T5013 and Relevé 15.

T5013 Box 18; RL 15 Box 1- Canadian and Foreign Net Business Income

This amount represents your share of the Inter Pipeline Fund 2005 business income that is subject to Canadian income tax. The 2005 taxable business income amount was 35.6438% of the total 2005 cash distributions declared in 2005.

Individual unitholders:

This amount should be reported in Part III "Net partnership income (loss)" of Schedule 4 of your federal 2005 personal income tax return. The total of all limited partnership income amounts should be reported on line 122 (page 2) of your 2005 T1 General tax return.

T5013 Box 22; RL 15 Box 5 - Capital Cost Allowance

This is your share of the amount of tax depreciation claimed by Inter Pipeline Fund in 2005 in arriving at the amount of income that is taxable to the unitholders.

This box is for information purposes only and is not to be reported on your return.

T5013 Box 26; RL 15 Box 7 - Interest from Canadian sources

This amount represents your share of Inter Pipeline Fund's 2004 interest income that is subject to Canadian income tax. The 2004 taxable interest income amount was 0.1558% of the total 2005 cash distributions declared in 2005.

Individual unitholders:

This amount should be reported in Part II "Interest and other investment income" of Schedule 4 of your federal 2005 personal income tax return. The total of all interest and other investment income amounts should be reported on line 121 (page 2) of your 2005 T1 General Tax Return.

T5013 Box 27; RL 15 Box 8 – Foreign Dividend and Interest Income

This amount represents your share of Inter Pipeline Fund's 2005 foreign dividend and interest income that is subject to Canadian income tax. The 2005 taxable interest income amount was 2.4266% of the total 2005 cash distributions declared in 2005.

Individual unitholders:

This amount should be reported in Part II "Interest and other investment income" of Schedule 4 of your federal 2005 personal income tax return. The total of all interest and other investment income amounts should be reported on line 121 (page 2) of your 2005 T1 General Tax Return.

T5013 Box 30; RL 15 Box 15 – Carrying Charges

This amount represents your share of Inter Pipeline Fund's 2005 carrying charges incurred for earning investment income. The 2005 interest deduction amount was 1.4093% of the total 2005 cash distributions declared in 2005.

Individual unitholders:

This amount should be reported in Part IV "Carrying Charges" of Schedule 4 of your federal 2005 personal income tax return. The total of all carrying charge amounts should be reported on line 221 (page 3) of your 2005 T1 General Tax Return.

T5013 Box 45; RL 15 Box 26 – Unitholders At-Risk Amount

The "at-risk" amount represents a unitholders original cost of the Inter Pipeline Fund's interest plus or minus certain adjustments. A unitholder cannot deduct partnership losses in excess of his "at-risk" amount. Any losses that are not currently available to be deducted are reported in Box 31 of Form T5013 Supplementary and can be carried forward indefinitely and deducted when a positive "at-risk" balance is restored. Inter Pipeline Fund does not anticipate any future "at-risk" losses.

This amount is used by Canada Revenue Agency and is not reported on your personal income tax return



T5013 Box 51; RL Box 14 - Partnership's Total Gross Income

This amount represents the total 2005 gross income earned by Inter Pipeline Fund and includes all of the unitholders' share of earnings.

This box is for information purposes only and is not to be reported on your return.

Details- Additional Information

Inter Pipeline Fund has permanent establishments in two provinces. The information contained in this section provides the necessary information for a unitholder to allocate their business income accordingly.

RL 15 – For Corporate Partners only

For Corporations reporting in Quebec, boxes 24A and 24C have additional information provided relating to the Corporation's share of year end debt and year end total assets of Inter Pipeline Fund.