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Headnote

Mutual Reliance Review System for Exemptive Relief Application – registration and prospectus relief to allow a limited partnership to distribute limited partnership units to existing unitholders under a distribution reinvestment plan, subject to certain conditions – plan permits unitholders to reinvest income distributions as well as to directly purchase additional units – first trade relief provided, subject to certain conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C.1996, c. 418, ss. 48 and 76

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND, AND NEWFOUNDLAND AND LABRADOR

AND

THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF INTER PIPELINE FUND

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador (the "Jurisdictions") has received an application from INTER PIPELINE FUND ("Inter Pipeline" or the "Partnership") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus and Registration Requirements") shall not apply to certain trades in units of Inter Pipeline issued pursuant to a distribution reinvestment plan;
2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Ontario Securities Commission is the principal regulator for this application;

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3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;
4. AND WHEREAS Inter Pipeline has represented to the Decision Makers that:
 - 4.1 Inter Pipeline was registered as a Limited Partnership under the laws of the Province of Alberta on October 9, 1997 under the name Koch Pipelines L.P. and subsequently changed its name to Inter Pipeline Fund on November 12, 2002.
 - 4.2 Inter Pipeline is a reporting issuer in each of the provinces of Canada. To its knowledge, Inter Pipeline is not in default of any requirements under the Legislation.
 - 4.3 Pipeline Management Inc. is the General Partner of the Partnership. The General Partner holds a 0.1% Partnership interest represented by Class B Units and public investors hold the remaining 99.9% Partnership interest, as limited partners, which interest is represented by the Units.
 - 4.4 The Partnership's Units are listed and posted for trading on the Toronto Stock Exchange.
 - 4.5 The General Partner's head office and principal place of business is located at 1400, 111 – 5th Avenue S.W., Calgary, Alberta, T2P 3Y6.
 - 4.6 Inter Pipeline currently makes and expects to continue to make quarterly (or more frequent) cash distributions ("Cash Distributions") to the holders of Units ("Unitholders"). The cash distribution of Inter Pipeline for any quarter is dependent upon the amount of distributable cash generated from Inter Pipeline's pipeline assets.
 - 4.7 Inter Pipeline is not a "mutual fund" under the Legislation as the holders of Units are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of Inter Pipeline, as contemplated by the definition of "mutual fund" in the Legislation.

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- 4.8 Inter Pipeline has authorized the establishment of a plan (the "Plan") pursuant to which Class A Unitholders, who are Eligible Investors (as defined below) may elect to reinvest their cash distributions in Units acquired through the facilities of the TSX or, at the discretion of the Partnership, subscribe for new Units of the Partnership (the "Distribution Reinvestment Option") or may subscribe for new Units of the Partnership by making optional cash payments (the "Cash Payment Option") (such new Units are referred to herein as the "Additional Units").
- 4.9 Except as described below, a registered holder of Units is eligible to join the Plan at any time by completing an authorization form and sending it to Computershare Trust Company of Canada (the "Plan Agent"). Beneficial owners of Units whose Units are not registered in the name of another person such as a broker, investment dealer, financial institution or other nominee, may participate in the Plan after having their Units transferred into their own names or by directing the registered holder to enrol their account in the Plan.
- 4.10 A registered holder shall become a participant in the Plan in regard to the investment of distributions as of the first distribution record date (a "Record Date") following receipt by the Plan Agent of a duly completed authorization form no later than five business days prior to the Record Date. Beneficial owners of Units which are registered through a nominee in the name of CDS & Co., or its nominee, must deliver such Authorization Form to CDS & Co. no later than six business days prior to such Record Date and also prior to such other deadline as may be set by CDS & Co. from time to time. If an authorization form is received by the Plan Agent later than five business days prior to the Record Date for a particular cash distribution, the cash distribution will be paid to the holder of Units in the usual manner and participation in the Plan with regard to cash distributions will commence with the next Record Date.
- 4.11 Under the Cash Payment Option, further payments of not less than \$500.00 per remittance and not more than \$100,000.00 per calendar year may be made by any participant in the Plan by forwarding a certified cheque or money order to the Plan Agent in Canadian dollars payable to the Plan Agent together with an optional cash payment form. Cash payments may be made at any time but only those payments received five or more business days

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before a Record Date, will be applied to the purchase of Units on the cash distribution payment date ("Cash Distribution Date") for that Record Date. Payments received four or less business days before, or on or after, a Record Date, will be held by the Plan Agent for investment on the Cash Distribution Date following the next Record Date. Neither the Plan Agent nor the Partnership has any obligation to or will pay interest on these funds.

- 4.12 The number of Units which may be issued each fiscal year pursuant to the Cash Payment Option will not be more than 2% of the number of issued and outstanding Units at the commencement of such fiscal year. Once that limit is reached, cash payments will not be accepted until the next fiscal year and cash payments received for the current Cash Distribution Date will be invested pro rata. Any excess funds will be returned to each contributing Unitholder as required.
- 4.13 Like investment in the Units, the Plan is not available to persons who are not Eligible Investors. An "Eligible Investor" is a person other than a person who is, or who acts on behalf of a person who will have a beneficial interest in Units who is, in either case, (i) a "non-resident" within the meaning of the Income Tax Act (Canada) and the regulations thereunder, as amended (the "Tax Act") or a partnership that is not a "Canadian partnership" under the Tax Act, or (ii) a person an interest in which would be a "tax shelter investment" as defined in the Tax Act.
- 4.14 Cash distributions payable on the Units registered in the Plan, will be applied automatically on each Cash Distribution Date to the purchase of Units either through the facilities of the TSX following the Cash Distribution Date or, at the discretion of the Partnership, from treasury.
- 4.15 Optional cash payments to the Plan will be applied to the purchase of additional new Units on the Cash Distribution Date following Record Dates where completed authorization forms have been received. A participant's account will be credited with the number of new Units, including fractions computed to four decimal places, which is equal to the amount to be invested for such participant divided by the applicable purchase price.
- 4.16 Full investment of funds under the Plan is possible because fractions of Units as well as whole Units are credited to a

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participant's account. The rounding of any fractional interest is determined by the Plan Agent using such method as it deems appropriate in the circumstances.

- 4.17 The price at which the participants purchase new Units will be based upon the average price for which Units are acquired through the facilities of the TSX for the purposes of the Plan within 10 trading days following the Cash Distribution Date. In the event that the Partnership elects not to purchase, with cash distributions, any Units through the facilities of the TSX in respect to any Cash Distribution Date, but to issue new Units from treasury, the price at which the new Units shall be issued will be 95% of the weighted average price of all Units traded on the TSX on the 10 trading days preceding the Cash Distribution Date (the "Treasury Purchase Price"). The price of new Units purchased with the optional cash payments will also be the Treasury Purchase Price.
- 4.18 There is no charge to participants for reinvesting distributions. The Plan Agent's fees for handling the reinvestment of distributions will be paid by the Partnership. There will be no brokerage charges with respect to Units either issued directly from treasury or purchased in the open market.
- 4.19 Participation in the Plan may be terminated by duly completing a termination request form and delivering it to the Plan Agent, signed by the registered holder or his or her agent. The termination request form must be received by the Plan Agent at least five business days before the Record Date, otherwise settlement of the participant's account will not commence until after the investment has been completed and statements generated.
5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");
6. AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
7. AND WHEREAS the Decision of the Decision Makers pursuant to the Legislation is that the trades of Additional Units by Inter Pipeline to the Plan Agent for the account of Participants pursuant to the Plan shall not be

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subject to the Prospectus and Registration Requirements of the Legislation provided that:

- 7.1 at the time of the trade Inter Pipeline is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;
- 7.2 no sales charge is payable in respect of the trade;
- 7.3 Inter Pipeline has caused to be sent to the person or company to whom the Additional Units are traded, not more than 12 months before the trade, a statement describing:
 - 7.3.1 their right to withdraw from the Plan and to make an election to receive cash instead of Units on the making of a distribution of income by Inter Pipeline, and
 - 7.3.2 instructions on how to exercise the right referred to in paragraph 7.3.1;
- 7.4 the aggregate number of Additional Units issued under the Cash Payment Option of the Plan in any financial year of Inter Pipeline shall not exceed 2% of the aggregate number of Units outstanding at the start of that financial year;
- 7.5 except in Québec, the first trade in Additional Units acquired pursuant to this Decision will be a distribution or primary distribution to the public unless the conditions in subsections 2.6(3) or (4) of Multilateral Instrument 45-102 - Resale of Securities are satisfied; and
- 7.6 in Québec, the first trade in Additional Units acquired pursuant to this Decision will be a distribution unless:
 - 7.6.1 the issuer is and has been a reporting issuer in Québec for the 12 months preceding the alienation;
 - 7.6.2 no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the alienation;
 - 7.6.3 no extraordinary commission or other consideration is paid in respect of the alienation;

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- 7.6.4 if the seller of the securities is an insider of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of any requirement of securities legislation.

DATED this 4th day of April, 2003.

Howard I. Wetston

Theresa McLeod