

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

I. CONSTITUTION

There shall be a committee, to be known as the Audit Committee (the "**Committee**"), of the Board of Directors (the "**Board**") of Enbridge Income Fund Holdings Inc. (the "**Corporation**")

The purpose of the Committee shall be to directly oversee the work of the external auditors (the "**Auditors**") of the Corporation engaged for the purpose of preparing or issuing an auditor's report and performing other audit, review or attestation services for the Corporation.

II. MEMBERSHIP

Following each annual meeting of shareholders of the Corporation, the Board shall elect from its members, not less than three (3) Directors to serve on the Committee (the "**Members**"). The Members and the Chair of the Committee are to be appointed by the Board.

No Member of the Committee shall be an officer or employee of the Corporation, Enbridge Income Fund, Enbridge Commercial Trust, Enbridge Management Services Inc. (the "**Manager**") or Enbridge Inc., or any of their respective affiliates (collectively, the "**Enbridge Group**"). Furthermore, the Committee shall be comprised entirely of independent Directors. For the purposes of these Terms of Reference, a Member of the Committee is independent if the Member has no direct or indirect material relationship with the Corporation or the Enbridge Group. In general, a material relationship is a relationship that could, in the view of the Board, reasonably interfere with the exercise of a Member's independent judgment. However, in accordance with applicable law, the persons described in Appendix A hereto shall be considered to have a material relationship with the Corporation and the Enbridge Group, whether or not the Board so determines.

Each Member of the Committee shall have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation. A Member who is not financially literate at the time of appointment shall have a reasonable amount of time following his or her appointment to become financially literate.

Any Member may be removed or replaced at any time by the Board and shall cease to be a Member upon ceasing to be a Director of the Corporation. Each Member shall hold office until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a Director, resigns or is replaced, whichever first occurs.

The Corporate Secretary of the Manager shall be secretary to the Committee unless the Committee directs otherwise.

III. MEETINGS

The Committee shall convene at such times and places designated by its Chair or whenever a meeting is requested by a Member, the Board, an officer of the Corporation, the internal auditor or the Auditors. A minimum of twenty-four (24) hours notice of each meeting shall be given to each Member, the internal auditor and the Auditors. The Corporate Secretary and Manager shall attend whenever requested to do so by a Member.

A meeting of the Committee shall be duly convened if a majority of the Members are present. Where the Members consent, and proper notice has been given or waived, Members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities that permit all persons participating in the meeting to communicate adequately with each other, and a Member participating in such a meeting by any such means is deemed to be present at that meeting.

In the absence of the Chair of the Committee, the Members may choose one (1) of the Members to be the Chair of the meeting.

Where appropriate, Members of the Committee may meet separately with the Auditors, the internal auditor or the Manager.

Minutes shall be kept of all meetings of the Committee.

IV. DUTIES AND RESPONSIBILITIES OF THE CHAIR

The Chair is responsible for:

- A. convening Committee meetings and designating the times and places of those meetings;
- B. ensuring Committee meetings are duly convened and that quorum is present when required;
- C. working with the Manager on the development of agendas and related materials for the Committee meetings;
- D. liaising with the Manager regarding financial reporting issues, internal controls and accounting matters, as deemed appropriate;
- E. managing communications between the Committee and the provider of internal audit services for any business in which the Corporation holds an interest;
- F. ensuring Committee meetings are conducted in an efficient, effective,

focused and respectful manner to ensure that the value of Committee member participation is maximized;

- G. ensuring the Committee has sufficient information to permit it to properly make decisions when decisions are required;
- H. providing leadership to the Committee and to assist the Committee in reviewing and monitoring its responsibilities; and
- I. reporting to the Board on the recommendations and decisions of the Committee.

V. DUTIES, RESPONSIBILITIES AND AUTHORITY

In the performance of its duties and responsibilities with respect to the Corporation and the Corporation's subsidiary entities, the Committee shall perform the duties and responsibilities stated herein, as are appropriate and the Committee shall have the right to:

- i) inspect any and all of the books and records, in written, electronic or other format, of the Corporation, its subsidiaries and affiliates;
- ii) discuss with the officers of the Manager and the Corporation (and their respective subsidiary entities and affiliates), the internal auditor and the Auditors, such accounts, records and other matters as any Member considers appropriate;
- iii) engage and compensate independent legal counsel and other advisors which the Committee determines are necessary to carry out its duties; and
- iv) communicate directly with the Auditors and the internal auditors.

A. DUTIES AND RESPONSIBILITIES RELATED TO THE EXTERNAL AUDITORS.

The Committee shall, as permitted by and in accordance with all applicable legal and regulatory requirements:

- i) directly oversee the work of the Auditors engaged for the purpose of preparing or issuing an audit report or related work;
- ii) pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the Auditors, including pursuant to a policy adopted by the Committee that satisfies applicable legal requirements for non-audit service pre-approval, from time to time;
- iii) recommend to the Board the Auditors to be nominated for the purpose of preparing or issuing an audit report (or any related audit, review or attest services);
- iv) review the terms of the Auditors' engagement, including the

appropriateness and reasonableness of the proposed audit fees and any unpaid fees, and make any necessary recommendations to the Board in respect of the Auditor's compensation;

- v) when there is to be a change of Auditors, review all issues related to the change, including the information to be included in the Notice of Change of Auditor called for under any applicable legislation and requirements, and the planned steps for an orderly transition period; and
- vi) review all reportable events, including disagreements, unresolved issues and consultations, as defined in any applicable legislation or requirements, on a routine basis, whether or not there is to be a change of Auditors.

B. DUTIES AND RESPONSIBILITIES RELATED TO AUDITS AND FINANCIAL REPORTING.

The Committee shall, as permitted by and in accordance with all applicable legal and regulatory requirements:

- i) review the engagement terms and the audit plan with the Auditors and with the Manager;
- ii) review with the Manager and, as deemed necessary, review with the Auditors, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may be material to financial reporting;
- iii) review and recommend, if advisable, the adoption and application of new accounting standards;
- iv) review with the Manager and, as deemed necessary, with the Auditors, significant financial reporting issues arising during the fiscal period, including the methods of resolution;
- v) review any problems experienced by the Auditors in performing an audit, including any restrictions imposed by the Manager or significant accounting issues on which there was a disagreement with the Manager;
- vi) annually or more frequently as deemed necessary, review with the Manager, the Auditors and, as necessary, internal and external legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation and the manner in which these matters may be, or have been, disclosed in the financial statements;
- vii) review the audited annual financial statements, in conjunction with the report of the Auditors, including a review of any significant variances

between comparative reporting periods;

- viii) review the post-audit or management letter containing the recommendations of the Auditors and the response of the Manager, if any, including an evaluation of the adequacy and effectiveness of the internal controls of the Corporation (in respect of the scope of review of internal controls by the Auditors, the review is carried out to enable the Auditors to express an opinion on the Corporation's financial statements);
- ix) review the interim unaudited financial statements, including a review of any significant variances between comparative reporting periods;
- x) review before release relevant public disclosure documents containing audited or unaudited financial information, including any press releases, prospectuses, the Annual Information Form, the Information Circular and the Management's Discussion and Analysis disclosure;
- xi) annually or more frequently as deemed necessary, meet separately with the Manager and the Auditors, and at least annually with the internal auditors, to review issues and matters of concern respecting audits and financial reporting processes;
- xii) review at least annually the scope and plans for the work of the internal auditor, review the adequacy of the resources of the internal auditor and ensure that the internal auditor has unrestricted access to: (a) all functions, records, property and personnel of the Corporation and its subsidiaries; and (b) the Committee at all times, as well as the Committee to the internal auditor;
- xiii) review the annual report issued by the internal auditor including the response, if any, of the Manager;
- xiv) review the appointment of the chief financial officer of the Manager;
- xv) inquire into and determine the appropriate resolution of conflicts of interest in respect of audit matters between or among an officer, Director, shareholder, the internal auditors, or the Auditors, which are properly directed to the Committee by the Chair of the Board, the Board, a Director, a shareholder, the internal auditors, the Auditors, or the Manager;
- xvi) assure that procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements;
- xvii) review and recommend, if advisable, the adoption and implementation of formal policies, procedures and practices, including a risk management policy, which may provide for delegation of authority to ECT management

or members of the Enbridge Group;

- xviii) assure that procedures are in place for the receipt, retention and treatment of complaints received by the Corporation or the Manager regarding accounting, internal accounting controls or auditing matters;
- xix) assure that procedures are in place for the confidential, anonymous submission by employees of the Corporation and the Manager of concerns regarding questionable accounting or auditing matters;
- xx) review and approve the hiring policies of the Corporation and the Manager regarding partners, employees and former partners and employees of the present and former Auditors; and
- xxi) as deemed necessary by the Committee, inquire into and examine matters relating to the financial affairs of the Corporation, its subsidiaries or affiliates, or any of them.

C. DUTIES AND RESPONSIBILITIES RELATED TO FINANCIAL REPORTING PROCESSES AND INTERNAL CONTROLS

The Committee shall, as permitted by and in accordance with all applicable legal and regulatory requirements:

- (i) review the adequacy and effectiveness of the accounting and internal control policies of the Corporation and Manager and procedures through inquiry and discussions with the external auditors, the internal auditor and the Manager;
- (ii) review with the Manager the Corporation's administrative, operational and accounting internal controls, including controls and security of the computerized information systems, and evaluate whether the Corporation is operating in accordance with prescribed policies, procedures;
- (iii) annually or more frequently if deemed necessary, meet separately with the external auditor, the head of the internal audit services provider and management, to review issues and matters of concern respecting financial reporting processes and internal controls;
- (iv) review with the Manager and the external auditors any reportable conditions, material weaknesses and significant deficiencies affecting internal control;
- (v) establish and maintain free and open means of communication between and among the Committee, the external auditors, the internal auditor and the Manager;
- (vi) review at least annually with the internal auditor the Corporation's internal control procedures.

D. DUTIES AND RESPONSIBILITIES RELATED TO FINANCE.

The Committee shall, as permitted by and in accordance with all applicable legal and regulatory requirements:

- i) review prospectuses and documents, where practicable, which may be incorporated by reference into a prospectus; and
- ii) review the issuance of equity or debt securities under a shelf prospectus of the Corporation (or of wholly-owned subsidiaries) and, if deemed appropriate, authorize the filing with securities regulatory authorities of any required prospectus supplement relating thereto.

E. DUTIES AND RESPONSIBILITIES RELATED TO RISK MANAGEMENT.

The Committee shall, as permitted by and in accordance with all applicable legal and regulatory requirements, review with the Manager on an annual basis:

- i) The Corporation's method of reviewing major financial risks inherent in its businesses, facilities, and strategic directions, including its financial risk management and evaluation process;
- ii) the strategies and practices applicable to the Corporation's assessment, management, prevention and mitigation of financial risks (including transfer of risk, insurance coverages (including directors' and officers' insurance) and financing strategies); and
- iii) the commodity price, foreign currency and interest rate risk strategies, including the use derivative transactions.

F. GENERAL DUTIES OF AUDIT COMMITTEE.

The Committee shall, as deemed necessary by the Committee and as permitted by and in accordance with all applicable legal and regulatory requirements:

- i) review expense report summaries of the Manager;
- ii) meet separately with senior management, the internal auditors, the Auditors, employees or independent advisors in respect of audit, finance and risk matters, at each Committee meeting attended by any of the foregoing;
- iii) meet *in camera* as a Committee, to discuss enhancing the effectiveness of the Committee, with reference to these Terms of Reference;
- iv) report to the Board after each Committee meeting, as required during the year, with respect to the Committee's activities and recommendations; and
- v) address any other matter properly referred to the Committee by the Chair

of the Board, the Board, a Director, the internal auditors, the Auditors, or the Manager.

V. COMMITTEE SCHEDULE

The major annual activities of the Committee shall be outlined in an annual schedule. A sample annual schedule is set forth below.

ANNUAL SCHEDULE FOR THE AUDIT COMMITTEE OF ENBRIDGE INCOME FUND HOLDINGS INC.	
DATE ¹	PROPOSED AGENDA
January	<ul style="list-style-type: none"> • Review Annual Financial Results • Recommend Annual Financial Statements, Management's Discussion and Analysis and News Release • Review Auditors Letter to Audit Committee • Recommend Appointment of Auditors • Review Management letter to Audit Committee • Internal Audit Report • Review of next year's Audit Committee Meeting Schedule and Agenda
February/ March	<ul style="list-style-type: none"> • Recommend Annual Information Form • Recommend Notice of Meeting, Information Circular and Proxy Form
April/May	<ul style="list-style-type: none"> • Review First Quarter Financial Results • Recommend Interim Financial Statements, Management's Discussion and Analysis and News Release • Insurance Report • Review/Update Terms of Reference for Audit Committee
July/August	<ul style="list-style-type: none"> • Review Second Quarter Financial Results • Recommend Interim Financial Statements, Management's Discussion and Analysis and News Release • Internal Audit Report: <ul style="list-style-type: none"> • Report for year ended June 30 • Plan for next year • Review External Auditors: <ul style="list-style-type: none"> • Engagement Letter • Audit Plan • Recommend External Audit Fees and Review Engagements and Services other than as Auditor • Corporate Risk Assessment Report • Contingent Liability Report
October / November	<ul style="list-style-type: none"> • Review Third Quarter Financial Results • Recommend Interim Financial Statements, Management's Discussion and Analysis and News Release • Recommend Annual Management Plan • Recommend Annual Financing Plan

¹ Dates noted are approximate and will be determined in a complete annual schedule for each year circulated and approved in the preceding year, and adjusted as required.

APPENDIX A

The following individuals are considered to have a material relationship with the Corporation and/or the Enbridge Group (collectively, the "**Issuer**"):

- i) an individual who is, or has been within the last three years, an employee or executive officer of the Issuer;
- ii) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Issuer;
- iii) an individual who: (a) is a partner of a firm that is the Issuer's internal or external auditor, (b) is an employee of that firm, or (c) was within the last three years a partner or employee of that firm and personally worked on the Issuer's audit within that time;
- iv) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (a) is a partner of a firm that is the Issuer's internal or external auditor, (b) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (c) was within the last three years a partner or employee of that firm and personally worked on the Issuer's audit within that time;
- v) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
- vi) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the Issuer during any 12 month period within the last three years.

For the purposes hereof, an individual will not be considered to have a material relationship with the Issuer solely because: (a) he or she had a relationship identified in paragraphs (i) to (vi) above if that relationship ended before March 30, 2004; or (b) he or she had a relationship identified in paragraphs (i) to (vi) above by virtue of the definition of "Issuer" if that relationship ended before June 30, 2005.

Despite any determination made under the above analysis, an individual who:

- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
- (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer (an "automatic material relationship").

For the purposes of determining whether an individual has an automatic material relationship, the indirect acceptance by an individual of any consulting, advisory or

other compensatory fee includes acceptance of a fee by:

- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
- (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

For the purposes of determining whether an individual has an automatic material relationship, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

Meaning of Affiliated Entity, Subsidiary Entity and Control

(1) For the purposes of the analysis in this Appendix A, a person or company is considered to be an affiliated entity of another person or company if

- (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or
- (b) the person is an individual who is (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity.

(2) For the purposes of this Instrument, a person or company is considered to be a subsidiary entity of another person or company if

- (a) it is controlled by, (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or
- (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

(3) For the purpose of this Instrument, "control" means the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise.

(4) Despite subsection (1), an individual will not be considered to control an issuer for the purposes of this Instrument if the individual:

- (a) owns, directly or indirectly, ten per cent or less of any class of voting securities of the issuer; and
- (b) is not an executive officer of the issuer.