



**ENBRIDGE INCOME FUND**  
**ANNUAL INFORMATION FORM**  
**For the Year Ended December 31, 2007**  
**dated**  
**February 22, 2008**

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## FORWARD LOOKING INFORMATION

*In the interest of providing Enbridge Income Fund (the Fund) unitholders and potential investors with information about the Fund and its subsidiaries, including management's assessment of the Fund's and its subsidiaries' future plans and operations, certain information provided in this Annual Information Form (AIF) constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although the Fund believes that these forward-looking statements are reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements.*

*The Fund's forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, economic conditions, interest rates and commodity prices, including but not limited to those risks and uncertainties discussed in this AIF and in the Fund's other filings with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and the Fund's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by applicable securities law and regulations, the Fund assumes no obligation to publicly update or revise any forward-looking statements made in this AIF or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Fund or persons acting on the Fund's behalf, are expressly qualified in their entirety by these cautionary statements.*

## GLOSSARY

In this AIF, unless the context otherwise requires, the following terms shall have the indicated meanings. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

"**Acceptable Credit Status**" means that the Shipper on the Alliance Canada Pipeline or the Shipper's Guarantor, as applicable, has been accepted by Alliance Canada as being of sufficient financial strength so as not to require security to be posted in connection with its obligations to Alliance Canada;

"**Administration Agreement**" means the administrative services agreement dated June 27, 2003 and as amended dated May 1, 2006 among the Manager, the Fund Trustee, the Fund and ECT pursuant to which the Manager provides administrative services to the Fund;

"**affiliate**" or "**associate**" has the meaning ascribed thereto in the *Securities Act* (Alberta), as amended from time to time;

"**Alliance**" means Alliance Canada and Alliance US;

"**Alliance Canada**" means Alliance Pipeline Limited Partnership; an Alberta limited partnership which owns the Alliance Canada Pipeline;

"**Alliance Canada Pipeline**" means the Canadian portion of the Alliance System;

"**Alliance GP**" means Alliance Pipeline Ltd., a corporation continued under the laws of Canada, which is the general partner of Alliance Canada;

"**Alliance System**" consists of an approximately 3,000 - kilometre(km) integrated, high-pressure, natural gas transmission pipeline system extending from near Gordondale, Alberta to delivery points near Chicago, Illinois, and approximately 730 km of lateral pipelines located in supply areas in the northwestern Alberta and northeastern British Columbia portions of the WCSB, and related infrastructure;

"**Alliance US**" means Alliance Pipeline L.P., a Delaware limited partnership which owns the Alliance US Pipeline;

"**Alliance US Pipeline**" means the US portion of the Alliance System;

"**Authorized Overrun Service**" or "**AOS**" means the additional transportation capacity on the Alliance System expected by Alliance Canada to be available (above the Alliance System's firm transportation capacity of 1.325 bcf/d), which Shippers have a right to use for no additional cost other than the costs of the associated fuel requirements;

"**bpd**" means barrels of oil per day;

"**bcfd**" means billions of cubic feet per day;

"**CDS**" means The Canadian Depository for Securities Limited;

"**CIBC Mellon**" means CIBC Mellon Trust Company;

"**Contracted Capacity**" means the daily volume of natural gas which a Shipper has agreed to ship on the Alliance System on a firm basis or to pay demand charges in respect thereof;

"**CRA**" means the Canada Revenue Agency;

"**DBRS**" means Dominion Bond Rating Service Limited;

"**Distributable Cash**" means, in general, all amounts of cash received by the Fund, for and in respect of a particular distribution period, together with all cash amounts transferred from any reserve amount maintained by the Fund, less

all expenses and liabilities of the Fund which may reasonably be considered to have accrued and become owing in respect of that distribution period or a prior distribution period (if not accrued in such prior period), amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Trust Units made during that distribution period, amounts that relate to repayment of any indebtedness of the Fund made during that distribution period, amounts which the Manager may reasonably consider necessary to provide for payment of any liabilities which have been or will be incurred by the Fund, and any amounts for reasonable reserves in connection with pursuing any purpose or activity of the Fund;

**"ECT"** means Enbridge Commercial Trust, an unincorporated trust established under the laws of Alberta;

**"ECT Note Indenture"** means the note indenture dated June 30, 2003 between ECT and CIBC Mellon, as trustee, relating to the issuance of the ECT Notes, as amended and restated on August 18, 2003 and as further amended by a First Supplemental Indenture dated December 20, 2004;

**"ECT Notes"** means the unsecured promissory notes issued by ECT from time to time in accordance with the ECT Note Indenture as Series 1, Series 2 and Series 3;

**"ECT Preferred Units"** means the units of ECT designated as "preferred units" pursuant to the ECT Trust Indenture;

**"ECT Series 1 Notes"** means the notes, designated as Series 1, to be issued by ECT from time to time pursuant to the ECT Note Indenture, which notes will be obligations of ECT that rank after any indebtedness of ECT which, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or equally with the indebtedness evidenced by such notes;

**"ECT Series 2 Notes"** means the notes, designated as Series 2, to be issued by ECT from time to time pursuant to the ECT Note Indenture as full or part payment for the redemption prices payable on a redemption of ECT Units, which notes will be obligations of ECT that rank after any indebtedness of ECT which, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or equally with the indebtedness evidenced by such notes;

**"ECT Series 3 Notes"** means the notes, designated as Series 3, to be issued by ECT from time to time pursuant to the ECT Note Indenture as full or part payment for the redemption prices payable on a redemption of ECT Series 1 Notes, which notes will be obligations of ECT that rank after any indebtedness of ECT which, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or equally with the indebtedness evidenced by such notes;

**"ECT Trust Indenture"** means the trust indenture dated December 20, 2002 pursuant to which ECT was established, as last amended and restated on May 1, 2006 and as further amended by a Third Supplemental Indenture dated November 5, 2007;

**"ECT Trustees"** means the trustees of ECT from time to time;

**"ECT Unitholder"** means a holder, from time to time, of an ECT Unit and/or an ECT Preferred Unit, as the context requires;

**"ECT Units"** means the units of ECT designated as "common units" pursuant to the ECT Trust Indenture;

**"Enbridge"** means Enbridge Inc., a corporation continued under the laws of Canada. The common shares of Enbridge Inc. trade on the Toronto Stock Exchange in Canada and on the New York Stock Exchange in the U.S. under the trading symbol "ENB".

**"Enbridge Saskatchewan"** means Enbridge Pipelines (Saskatchewan) Inc., a corporation incorporated under the laws of Saskatchewan;

**"ESOSI"** means Enbridge (Saskatchewan) Operating Services Inc., a corporation incorporated under the laws of Saskatchewan;

**"Exchangeable Securities"** means each unit, share or other security, whether or not issued by the Fund, which is convertible into, exchangeable for, or carries the right of the holder to purchase or otherwise acquire (or of the issuer of such security to cause the purchase or acquisition of) Trust Units or units, shares or other securities, whether or not issued by the Fund, which are convertible into, exchangeable for, or carry the right of the holder to purchase or otherwise acquire (or of the issuer of such security to cause the purchase or acquisition of) Trust Units;

**"Fuel Requirements"** means natural gas that is either consumed as fuel or "lost or unaccounted for" in the ordinary course of transmission operations of the Alliance System;

**"Fund"** means Enbridge Income Fund, an unincorporated open-ended trust established under the laws of Alberta and, unless the context otherwise requires, includes ECT and the other entities owned directly or indirectly by ECT;

**"Fund Credit Facility"** means a credit facility provided to the Fund by certain chartered banks in the principal amount of \$150 million with a three-year term expiring February 10, 2011;

**"Fund Delegation Agreement"** means the fund delegation agreement dated June 30, 2003 among the Fund, the Fund Trustee and ECT pursuant to which the Fund Trustee delegated certain of its powers and duties to ECT;

**"Fund Trust Indenture"** means the trust indenture dated May 22, 2003 pursuant to which the Fund was established, as amended and restated on June 30, 2003, August 18, 2003 and May 1, 2006;

**"Fund Trustee"** means the trustee of the Fund, which currently is CIBC Mellon;

**"GP"** means Enbridge Income Partners GP Inc., a corporation incorporated under the laws of Canada, which is the current general partner of LP, and includes any successor or replacement general partner of LP;

**"GP Services Agreement"** means the services agreement dated June 30, 2003 between the Manager and GP pursuant to which the Manager provides management and administrative services to GP;

**"Green Power"** means the Fund's 50% interest in each of NRGreen and the SunBridge Wind Power Project as well as a 33% interest in each of the Magrath and Chin Chute wind power projects;

**"Guarantor"** means, in relation to a Shipper, a general partner of the Shipper if the Shipper is a partnership or an affiliate of the Shipper which guarantees the Shipper's obligations under its transportation contract;

**"Independent ECT Trustee"** means a trustee of ECT who is "independent" in respect of the Manager and any affiliate of the Manager (as the term "independence" is used in National Instrument 58-101 Disclosure of Corporate Governance Practices, with necessary changes to fit the context);

**"Investment Base"** means the Alliance Canada Pipeline regulatory investment base to be used to calculate its tolls and which generally includes: (i) all of the costs which Alliance Canada actually and reasonably incurred in developing, designing, financing, constructing and commissioning the Alliance Canada Pipeline, including construction cost overruns; and (ii) an allowance for funds used during construction of the Alliance Canada Pipeline under which Alliance Canada has capitalized, and hence will be entitled to recover in tolls, the net cost of funds (both debt and equity) required to finance development and construction of the Alliance Canada Pipeline;

**"Investment Grade Rating"** means, with respect to each of the following rating agencies, a rating equal to or higher than the following: (i) "Baa3" from Moody's; (ii) "BBB-" from S&P; or (iii) "BBB" from DBRS;

**"IP Holdings"** means Enbridge Income Partners Holdings Inc., a corporation incorporated under the laws of Saskatchewan;

**"IP Holdings Services Agreement"** means the services agreement dated June 30, 2003 between LP and IP Holdings pursuant to which LP will provide management and administrative services to IP Holdings;

**"Linepack"** means the actual amount of gas or oil in a pipeline system;

"**Liquidity Right**" means the right of a holder of ECT Preferred Units to request ECT to purchase for cancellation all or any part of the ECT Preferred Units owned by such holder, as described in "Description of ECT — Liquidity Rights of Holders of ECT Preferred Units";

"**LP**" means Enbridge Income Partners LP, a limited partnership established under the laws of Alberta;

"**LP Limited Partnership Agreement**" means the limited partnership agreement dated December 20, 2002 among the GP, as general partner, and ECT, as the initial limited partner, and each person who is admitted as an additional limited partner of LP from time to time in accordance with the LP Limited Partnership Agreement, as amended and restated on June 26, 2003 and January 30, 2006;

"**LP Units**" means the Class A limited partnership units of LP issued from time to time in accordance with the LP Limited Partnership Agreement;

"**Management Agreement**" means the management agreement dated June 27, 2003 and amended May 1, 2006 between the Manager and ECT pursuant to which the Manager provides management services to ECT;

"**Manager**" means Enbridge Management Services Inc., a corporation incorporated under the laws of Canada;

"**mmcf**" means millions of cubic feet per day;

"**Moody's**" means Moody's Investor Service, Inc.;

"**MW**" means megawatt, a unit of power, equal to one million watts(W). The watt is a unit of power (energy/time), the rate energy is consumed or converted to electricity;

"**MWh**" means megawatt per hour, the measure of megawatts produced or consumed for one hour;

"**NEB**" means the National Energy Board of Canada;

"**NEB Act**" means the *National Energy Board Act* (Canada), as amended from time to time;

"**NGLs**" means natural gas liquids which are comprised of ethane, propane, normal butane, isobutane and pentanes plus, or any of them, or any mixture of any of them, and includes any substances that may be incidentally recovered therewith on extraction from natural gas;

"**NRGreen**" means NRGreen Power Limited Partnership, a limited partnership established under the laws of Alberta;

"**Ordinary Units**" means the ordinary units of the Fund as described in "Description of the Fund Trust Indenture - Units of the Fund";

"**Ordinary Resolution**" means a resolution passed by more than 50% of the votes cast, either in person or by proxy, at a meeting of Unitholders or ECT Unitholders, as applicable, at which a quorum was present, called (at least in part) for the purpose of approving such resolution, or a resolution approved in writing by holders of more than 50% of the votes entitled to be voted on such resolution;

"**Person**" means and includes individuals, corporations, limited partnerships, general partnerships, joint stock companies, limited liability companies, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts and other organizations, whether or not legal entities and governments and agencies and political subdivisions thereof;

"**Plans**" means, collectively, registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans;

"**PPA**" means Power Purchase Agreement;

"**Record Date**" means, unless the Manager otherwise decides, the last business day of each month;

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.;

"**Saskatchewan Services Agreement**" means the services agreement dated June 30, 2003 among the Manager, ESOSI and Enbridge Saskatchewan;

"**Saskatchewan System**" means the crude oil and liquids pipeline system comprised of four principal assets: the Saskatchewan Gathering System; the Westspur System; the Weyburn System; and the Virden System which, collectively, comprise approximately 328 km of trunk line and 1,900 km of gathering system pipeline and related terminals and storage facilities;

"**Saskatchewan Gathering System**" means the crude oil and liquids pipeline gathering system that is owned directly by Enbridge Saskatchewan;

"**Services Agreements**" means, collectively, the Administration Agreement, the Management Agreement, the GP Services Agreement and the Saskatchewan Services Agreement;

"**Shippers**" means, collectively, the oil and natural gas exploration, production, pipeline, aggregator, local distribution and marketing companies that have contracted for natural gas transportation service on the Alliance System, and "**Shipper**" means any such company;

"**SER**" means Saskatchewan Energy and Resources;

"**Special Resolution**" means a resolution passed by more than 66 2/3% of the votes cast, either in person or by proxy, at a meeting of Unitholders or ECT Unitholders, as applicable, at which a quorum was present, called (at least in part) for the purpose of approving such resolution, or a resolution approved in writing by holders of more than 66 2/3% of the votes entitled to be voted on such resolution;

"**Sponsors**" means the Fund and Fort Chicago Energy Partners L.P.;

"**STEM**" means Manitoba Science, Technology and Mines;

"**Subordinated Units**" means the subordinated units of the Fund as described in "Description of the Fund Trust Indenture — Units of the Fund";

"**subsidiary**" has the meaning ascribed to such term in the *Securities Act* (Alberta), as amended from time to time;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time;

"**TSAs**" means Transportation Service Agreements with Shippers, and "**TSA**" means any such agreement with an individual Shipper;

"**Trust Units**" means, collectively, the Ordinary Units and the Subordinated Units;

"**Unitholder**" means a holder of a Trust Unit, from time to time: and, for the purposes of construing all provisions of the Fund Trust Indenture which entitle a Unitholder to: (i) vote in respect of a matter, whether at a meeting of Unitholders or by written resolution of Unitholders; or (ii) exercise rights in connection with voting at meetings of Unitholders (including, attending meetings, requisitioning meetings and submitting proposals), use of the defined term "Unitholder" is deemed to include a holder of Voting Exchangeable Securities in addition to a holder of Trust Units;

"**U.S. Qualified Plan**" means: (i) a pension, profit sharing, annuity, welfare and other employee benefit plan to which the *United States Employee Retirement Income Security Act of 1974*, as amended, applies; (ii) an individual retirement account described in Section 4975(e)(1) of the *U.S. Internal Revenue Code of 1986*, as amended; and (iii) any entity whose assets include assets of the Fund by reason of a U.S. Qualified Plan's investment in the entity;

"**Virden System**" means the crude oil and liquids pipeline gathering system that is owned by Enbridge Pipelines (Virden) Inc., a corporation incorporated under the laws of Saskatchewan;

"**WCSB**" means the Western Canadian Sedimentary Basin;

"**Westspur System**" means the crude oil and liquids pipeline feeder system that is owned by Enbridge Pipelines (Westspur) Inc., a corporation incorporated under the laws of Canada;

"**Weyburn System**" means the crude oil and liquids pipeline gathering system that is owned by Enbridge Pipelines (Weyburn) Inc., a corporation incorporated under the laws of Saskatchewan; and

"**Wind Power**" consists of the Fund's interests in three wind power projects; 50% interest in the SunBridge Wind Power Project, and 33% interest in each of the Chin Chute and Magrath wind power projects.

**Metric Conversion:**

1 barrel of liquid hydrocarbons = 0.159 cubic metre; 1 mile = 1.609 kilometres; 1 barrel mile = 0.256 cubic metre kilometre; 1 cubic foot of natural gas = 0.0283 cubic metre.

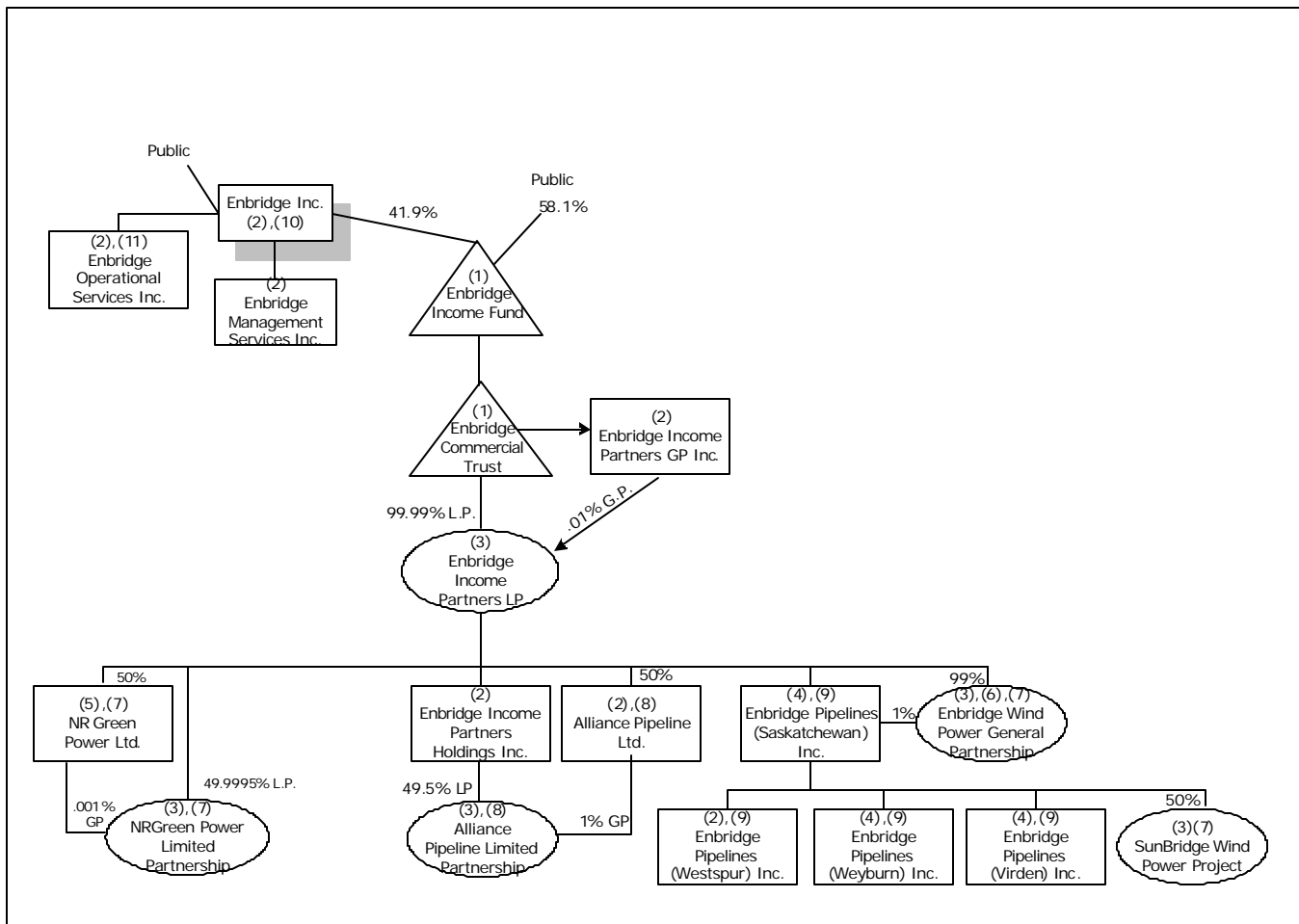
## **ENBRIDGE INCOME FUND**

**Structure of the Fund**

Enbridge Income Fund is an unincorporated open-ended trust established by the Fund Trust Indenture under the laws of the Province of Alberta on May 22, 2003, as amended and restated from time to time, most recently as of May 1, 2006. The Fund's trust units are currently traded on the Toronto Stock Exchange under the symbol "ENF." The Fund commenced operations on June 30, 2003 and is administered by Enbridge Management Services Inc. (EMSI), a wholly owned subsidiary of Enbridge Inc. EMSI also serves as the manager of Enbridge Commercial Trust, a subsidiary of the Fund.

The head office and principal business office of the Fund is located at 3000, 425 - 1st Street S.W., Calgary, Alberta, T2P 3L8.

The following chart illustrates the structural relationships among the Fund, its subsidiary entities, EMSI and Enbridge, excluding immaterial subsidiaries for which total revenue and total assets are less than 10% of consolidated revenue and total assets. In the aggregate, for excluded subsidiaries total revenue and total assets are less than 20% of the Fund's consolidated total revenue and total assets. For a full description of the various parties identified below, see "Description of ECT" and "Description of LP".



**Notes:**

- (1) An unincorporated trust governed by the laws of the Province of Alberta.
- (2) A corporation incorporated under the laws of Canada.
- (3) A limited partnership established under the laws of the Province of Alberta.
- (4) A corporation incorporated under the laws of the Province of Saskatchewan.
- (5) A corporation incorporated under the laws of the Province of Alberta.
- (6) The Partnership holds a 33.3% interest in each of the Magrath and Chin Chute Wind Power Projects.
- (7) Entities included in the Green Power segment.
- (8) Entities included in the Alliance Canada segment.
- (9) Entities included in the Saskatchewan System segment.
- (10) Enbridge Inc. holds 100% of the ECT Preferred Units.
- (11) A subsidiary of Enbridge Inc. that provides all services required to operate and administer the business of the Saskatchewan System.

**General Development of the Business**

The Fund's operating investments conduct business through three operating segments:

- Alliance Canada includes the Fund's 50% interest in the Canadian portion of the larger Alliance System. Revenue from Alliance Canada accounts for 77.2% (2006 – 79.2%) of the Fund's total revenue. The Alliance System, comprised of Alliance Canada and Alliance US, transports natural gas from supply areas in Northwestern Alberta and Northeastern British Columbia to delivery points near Chicago, Illinois;
- Saskatchewan System owns and operates crude oil and liquids pipeline systems primarily connecting producing fields in Southern Saskatchewan and Southwestern Manitoba with Enbridge's mainline pipeline for transportation to the United States. Revenue from the Saskatchewan System accounts for 20.1% (2006 – 20.3%) of the Fund's total revenue.

- Green Power includes entities that produce electricity via renewable and alternative energy sources and consists of a 50% interest in each of NRGreen and the SunBridge Wind Power Project as well as a 33% interest in each of the Magrath and Chin Chute wind power projects. Revenue from Green Power accounts for 2.7% (2006 – 0.5%) of the Fund's total revenue.

### **Three-Year History**

#### *Tax Fairness Plan*

On October 31, 2006, the Canadian Government announced a "Tax Fairness Plan" that would, among other things, create a new tax regime for publicly traded income trusts including the Fund. The Tax Fairness Plan income trust taxation legislation, Bill C-52, achieved Royal Assent on June 22, 2007. Under the enacted legislation, publicly traded income trusts will be subject to a tax of 29.5% on the taxable portion of their distributions to unitholders. Income trusts in existence on October 31, 2006 will not be subject to such tax prior to 2011, provided they comply with the "normal growth" limitations stipulated in the legislation. All other things being equal, this legislation will likely result in a reduction of cash available for distribution by the Fund commencing in 2011. With respect to the limitations on equity unit issuances under the "normal growth" limitations stipulated, the Manager believes the Fund should be able to fund its identified growth plans. However, with the current uncertainty in the capital markets resulting from Bill C-52, there can be no assurance that sufficient capital will be available to fund further acquisitions or expansion projects.

The Fund, with input from external legal and financial advisors, is carefully assessing the impact of the legislation on the business and financial outlook of the Fund and its broader effect on the income trust sector as a whole. The Fund's objective in carrying out these activities is to adopt a strategy that will maximize value to unitholders going forward.

On December 20, 2007, the Minister of Finance announced proposed technical amendments to further clarify the Tax Fairness legislation contained in Bill C-52. If the proposed technical amendments are enacted as announced, Alliance Canada will continue to be a non-taxable entity for federal and provincial income tax purposes.

#### *General Developments*

At the Fund's meeting of Unitholders held on May 1, 2006, the Unitholders approved amendments to the Fund and ECT Trust Indentures to expand the scope of the Fund and ECT's respective permitted business activities, from pipeline and energy transportation business to energy infrastructure business and related activities. This change permitted the establishment of the Green Power segment.

#### *Green Power*

On October 1, 2006, the Fund purchased Enbridge's interests in three wind power projects including a 50% interest in the SunBridge Wind Power Project at Gull Lake, Saskatchewan, and a 33% interest in each of the Magrath and Chin Chute wind power projects in Southern Alberta, for \$42.1 million.

During 2006, NRGreen completed construction on its first waste heat recovery facility at Kerrobert, Saskatchewan and began operations on December 29, 2006. In addition, NRGreen began construction on three additional waste heat electrical generation facilities at Alliance's Alameda, Estlin and Loreburn compressor stations in Saskatchewan. On August 22, 2006, PPAs between NRGreen and Saskatchewan Power Corporation (SaskPower) were executed for these three facilities. Engineering, design and procurement commenced in the third quarter of 2006 on the Loreburn, Estlin and Alameda facilities. These facilities are scheduled to complete construction and commence commercial operations by the second half of 2008.

During the first quarter of 2006, NRGreen purchased assets including the development, design, construction, commissioning, ownership and the operation of the Kerrobert facility, from Alliance Canada.

## **ALLIANCE CANADA**

### **Ownership Structure**

Alliance Canada, which owns and operates the Alliance Canada Pipeline, is a limited partnership organized under the laws of Alberta on February 1, 1996. Alliance Canada is owned 50% by the Fund and 50% by Fort Chicago Energy Partners, L.P. The Fund does not own any interest in the Alliance US Pipeline.

## **Description of Alliance Canada**

Alliance Canada is the Canadian portion of the larger Alliance System which is comprised of two principal assets: the Alliance Canada Pipeline and the Alliance US Pipeline. The Alliance System consists of an approximately 3,000 km integrated, high-pressure, natural gas mainline pipeline, a series of lateral pipelines located in Canada, and related infrastructure.

Alliance Canada consists of 1,560 km of the Alliance System's mainline beginning near Gordondale, Alberta and connecting to the Alliance US Pipeline at the Canada/US border near Elmore, Saskatchewan. In addition, Alliance Canada includes the Alliance System's lateral pipelines, which connect the mainline to 51 receipt locations, primarily at natural gas processing facilities in Northwestern Alberta and Northeastern British Columbia, and related infrastructure.

The Alliance System is designed to transport 1.325 bcf/d of natural gas, on a firm transportation basis, from supply areas in Northwestern Alberta and Northeastern British Columbia portions of the WCSB to delivery points near Chicago, Illinois.

The Alliance System commenced commercial operations on December 1, 2000. In 2007, the Alliance System made available to Shippers 100% (2006 – 100%; 2005 – 100%) of its firm transportation capacity, of which 98.5% is contracted under long-term transportation service agreements. Approximately 20.6% (2006 – 20.2%; 2005 - 20.6%) of additional transportation capacity was made available to Shippers through the Authorized Overrun Service.

The Alliance System offers, among other things: (i) competitive transportation charges, taking into account a tariff that gives Shippers a right to use, on an as-available basis, the Authorized Overrun Service; (ii) high pressure pipeline technology which increases efficiency of service; and (iii) single pipeline service providing a direct route from the natural gas supply areas of the WCSB to interconnections near Chicago, Illinois.

## **Description of Alliance Canada Business**

### **Shippers**

The Shippers have long-term contracts for 98.5% of the 1.325 bcf/d of firm transportation capacity on the Alliance Canada Pipeline. In 2006, the Calpine Energy Services Canada Partnership (CESCA), a Shipper accounting for 1.5% of firm capacity, repudiated its firm transportation service agreement with Alliance Canada. Alliance Canada immediately arranged for the placement of this capacity and drew on CESCA's letter of credit for funds equal to twelve months of demand charges in respect of CESCA's former transportation capacity. The funds were deposited into an account held in trust with Alliance Canada's Security Trustee to be applied against any shortfall in tolls arising from the new placement. Transportation revenue for 2007 was unaffected by this repudiation due to the re-marketing of the transportation capacity and use of the funds received as security. The 1.5% (0.02 bcf/d) of firm capacity was contracted to Shippers on a short-term basis to March 2010.

In 2006, Alliance Canada and Alliance US filed proofs of claim in the Calpine Corporation Chapter 11 Bankruptcy proceeding. These claims were in respect of guarantees provided by Calpine Corporation as security for the performance of CESCA's obligations under its transportation contracts. In 2007, an agreement with CESCA and related Calpine entities was reached, which provided Alliance Canada and Alliance US with one general unsecured claim against CESCA. On January 16, 2008, full payment for settlement of the two claims totalling \$20.7 million was received.

Shippers that are affiliates of the Sponsors currently account for approximately 14% of the Alliance Canada Pipeline's aggregate Contracted Capacity. The 10 largest Shippers, in terms of transportation commitments, represent approximately 70.0% of the aggregate Contracted Capacity. Details concerning the shipping commitments and credit status of Shippers or their Guarantors as at December 31, 2007 are summarized below. The Shippers have similar commitments on the Alliance US Pipeline.

Shipper Category	Number of Shippers	Contracted Capacity (mmcf)	% of Firm Transportation Capacity
Investment Grade Rating	20	1,068	81
Acceptable Credit Status	7	137	10
Security Required <sup>(1)</sup>	3	120	9
Total <sup>(2)</sup>	<u>30</u>	<u>1,325</u>	<u>100</u>

**Notes:**

- (1) These shippers do not have an Investment Grade Rating or Acceptable Credit Status and have posted security in the form of letters of credit for 12 months of demand charges or have made other security arrangements satisfactory to Alliance.
- (2) One shipper appears in both the "Investment Grade Rating" category and the "Security Required" category because a portion of its Contracted Capacity falls within each category.

Each Shipper's credit status is reviewed at least quarterly. Alliance has the right to demand that a shipper post a letter of credit equal to 12 months of demand charges or make other satisfactory credit arrangements if at any time the shipper fails to maintain an Investment Grade Rating or Acceptable Credit Status. Alliance may release a shipper from the requirement to post such credit security if the shipper subsequently obtains Acceptable Credit Status or an Investment Grade Rating.

**Transportation Service Agreements**

The Shippers have executed TSAs with each of Alliance Canada and Alliance US, which have a 15-year primary term expiring at the end of November 2015. After its tenth anniversary date, each TSA may be renewed upon five years notice for successive one-year terms beyond the original 15-year primary term, at the option of the Shipper. There is no limitation on the number of times a Shipper may renew its TSA.

Under the terms of the Alliance Canada TSAs, the Shippers became obligated to pay transportation tolls effective December 1, 2000. For the 15-year primary term and for any subsequent renewal of the TSAs, Shippers are obligated to pay to Alliance Canada demand charges to transport their Contracted Capacities of natural gas on the Alliance Canada Pipeline. To the extent Alliance Canada is unable, for any reason related solely to the physical capability of Alliance Canada to provide service, to transport the contracted volumes of gas properly scheduled by the Shipper for transportation, Alliance Canada is obligated to provide a credit for all or a portion of the demand charges paid by the Shipper.

The obligations of the Shippers under the TSAs may not be permanently assigned without the consent of Alliance Canada, which may not be unreasonably withheld. Additionally, the assignee will be required to comply with the same credit requirements.

**Interconnecting Pipelines and Local Distribution Companies**

The Alliance System interconnects at its terminus in the Chicago area with the following five interstate natural gas pipelines: (i) ANR Pipeline Company (a subsidiary of TransCanada Corporation); (ii) Midwestern Gas Transmission Company (a subsidiary of Northern Border Pipeline Company); (iii) Natural Gas Pipeline Company of America (a subsidiary of Kinder Morgan, Inc.); (iv) Vector Pipeline L.P.; and (v) Guardian Pipeline L.L.C. The Alliance System connects with the following two local natural gas distribution systems: (i) Northern Illinois Gas Company (a subsidiary of NICOR Inc.); and (ii) Peoples Gas, Light and Coke Company (a subsidiary of Peoples Energy Corporation). These pipelines and local distribution systems serve major natural gas consuming areas in the midwestern United States and the Province of Ontario. Connection to these pipelines provides Shippers with access to other major natural gas markets in the Northeastern United States and Eastern Canada. The current aggregate natural gas interconnects offtake capacity of these pipelines and local distribution systems in the Chicago area is approximately 5.4 bcf. The Alliance System also connects with the Aux Sable Extraction Facility and with a pipeline in North Dakota which is owned and operated by Tri-State Ethanol Company L.L.C. This pipeline connects to an ethanol plant also owned by Tri-State Ethanol Company L.L.C.

**Tolls and Tariff Structure**

The tolls and tariff for Alliance Canada are regulated by the NEB. All Shippers have accepted toll principles negotiated with Alliance Canada and signed TSAs incorporating the same toll principles and tariff.

Alliance Canada is entitled to charge each Shipper a monthly amount for the Contracted Capacity reserved by such Shipper. The monthly amount is calculated to permit Alliance Canada to recover from the Shippers, on an annual basis, the aggregate of:

- (a) all operating and maintenance costs, general and administrative costs and property and municipal taxes actually and reasonably incurred;
- (b) an allowance for costs of indebtedness calculated on the assumption that Alliance Canada's debt equals 70% of its Investment Base, net of depreciation (regardless of what Alliance Canada's actual capital structure may be);
- (c) an allowance for income tax calculated on a flow-through basis at applicable corporate tax rates as if Alliance Canada was a stand-alone corporate entity;
- (d) an allowed after tax return on equity (approximately 11.3% after tax) calculated on the assumption that Alliance Canada's equity equals 30% of its Investment Base, net of depreciation (regardless of what Alliance Canada's actual capital structure may be); and
- (e) a negotiated annual allowance for depreciation of the Investment Base that is based on a 25-year amortization period,

multiplied by a fraction of which the numerator is the Shipper's contracted capacity and the denominator is 1.325 bcf/d.

The aggregate of the costs listed above in items (a) to (e) is referred to as the "Cost of Service".

Alliance Canada calculates the monthly toll in advance based on the expected annual Cost of Service. Each Shipper is required to remit a monthly amount based on that Shipper's Contracted Capacity regardless of the quantity of natural gas actually tendered for shipment. Once the monthly toll has been established, the toll will remain in effect until adjusted. Generally, adjustments are made on an annual basis so as to recover or refund, as applicable, the difference between the expected and actual Cost of Service in a particular year in the subsequent year's tolls.

Each Shipper also bears its share of the Fuel Requirements of the Alliance Canada Pipeline based on its volume of natural gas tendered for shipment. The Shippers bear this cost by effectively providing natural gas to be consumed as fuel or to replace natural gas which is unaccounted for in the normal course of transmission operations. Shippers are entitled to receive at the terminus of the Alliance System a quantity of natural gas having a total energy content equal to the energy content shipped by the Shipper, after deducting Fuel Requirements. Required volume adjustments to the Alliance System's linepack of natural gas, whether increases or decreases, are also effected by adjusting the Fuel Requirements.

## **Technical Description of Alliance Canada Pipeline**

### *Mainline, Laterals and Gas Plant Connections*

The Alliance Canada Pipeline consists of approximately 340 km of 42 inch high pressure natural gas pipeline and approximately 1,220 km of 36 inch high pressure natural gas pipeline and related facilities. Alliance Canada also owns and operates a series of lateral pipelines and related facilities connecting a number of upstream receipt points, primarily at natural gas processing facilities in Northwestern Alberta and Northeastern British Columbia, to the Alliance Canada Pipeline mainline. In total, approximately 730 km of lateral pipelines were constructed by Alliance Canada, ranging in length from approximately 0.3 to 142 km and in diameter from 4 inches to 24 inches. The lateral facilities also include compression and metering stations. In addition, Alliance Canada has agreements with affiliates of Spectra Energy Corp. (formerly known as Duke Energy Corp.), which provide Alliance Canada with access to a portion of the Spectra pipeline system for specified volumes on a firm basis.

### *Compressor Stations*

The Alliance Canada Pipeline facilities include seven mainline compressor stations, containing nine units rated at approximately 31,000 to 45,000 horsepower each, spaced at approximately 193 km intervals. The Alliance Canada Pipeline's facilities also include mainline block valves, spaced, on average, at 32 km intervals, with operating and maintenance facilities and an associated supervisory control and data acquisition system.

On-site sensors for parameters such as temperature, pressure and vibration monitor all major compressor station equipment. Station compressor units, throughput, valves, inlet, outlet and bypass are monitored and controlled by a station programmable logic controller. Each compressor station is monitored and operated on a continuous year-round basis from a manned system control centre.

### *Metering Stations*

All natural gas receipt points for the Alliance Canada Pipeline have a custody transfer metering station. Such metering stations measure the volume, pressure and temperature of the natural gas received, along with its energy, water, sulphur and hydrogen sulphide content, as applicable. At larger stations, or stations where gas composition may vary significantly, continuous gas chromatographs are utilized, while at smaller, simpler stations, an incremental sampler may be utilized.

Metering stations, meter runs and electrical equipment are designed to meet or exceed applicable Canadian regulatory requirements. Communication of measurement data is accomplished by means of a direct data communications link to the main control centre for the Alliance System.

### *Communications*

The main control centre for the Alliance System is located in Alberta, and has control, alarm and leak detection monitoring capability of all pipeline facilities, including the Alliance Canada Pipeline. Using a supervisory control and data acquisition system, control centre operating staff have the ability to remotely shut down individual stations or facilities on the entire Alliance System. As well, each remote station has local emergency shutdown capabilities. A back-up control centre has also been established at a location remote from the main control centre.

A satellite communications system carrying voice and data circuits links the main control centre to all compressor stations, metering stations and delivery terminals. Mainline block valves are also linked to the control centre to monitor gas pressure and temperature and provide for rapid closure of block valves in the event of an emergency. Radio systems and land circuits are used to provide local communications from lateral compressor stations to receipt terminals and provide a back-up in the event of the loss of the satellite system.

### **Safety**

Natural gas pipelines in Canada are required to meet construction, operating and maintenance standards established by the NEB and the Canadian Standards Association, and by federal, provincial and local or municipal regulators. Such standards establish requirements with respect to matters such as line pipe, valves and fittings.

To the Manager's knowledge, the Alliance Canada Pipeline operates according to the requirements of all applicable pipeline safety regulations and codes. Alliance Canada has implemented practices and procedures common in the pipeline industry and necessary to meet applicable laws.

### **Environmental**

The operations of Alliance Canada are subject to federal, provincial and local laws and regulations relating to the protection of the environment. In addition, the NEB may impose conditions upon Alliance Canada with respect to environmental matters as part of its approvals of Alliance Canada. An environmental management system has been developed and implemented for the Alliance System's operations and maintenance activities. Environmental operating practices included in this system ensure proper stewardship of the environment during operations and due consideration of environmental protection during maintenance activities. Alliance Canada believes that adequate measures have been taken to mitigate the environmental effects of the operation and maintenance of the Alliance System. All prudently incurred costs related to any environmental requirements would normally be expected to be included in the Alliance System's Cost of Service and recovered through the transportation tolls.

### **Competing Pipelines**

Currently, a number of other natural gas pipelines provide transportation services for natural gas produced from the WCSB to natural gas markets in the midwestern United States and Ontario. In addition to the Alliance System, natural gas from the WCSB is transported to markets in the Midwestern United States through the following pipelines: (i) TransCanada/Viking Gas Pipeline; (ii) TransCanada/Great Lakes Pipeline; and (iii) Foothills/Northern Border Pipeline. These pipelines have an aggregate transportation export capacity of approximately 5.7 bcf/d of natural gas at the Canada – US border.

To supply the growing natural gas markets in the midwestern and eastern United States producers from other supply basins, including the Rocky Mountain, San Juan and Gulf of Mexico basins, have proposed to build or expand natural gas pipelines that would deliver natural gas into the midwestern and eastern United States. Such pipelines may compete with the Alliance System in the future. Liquid natural gas facilities may be constructed which could compete with natural gas delivered by the Alliance System in the future. Shippers on the Alliance System may also elect to access the Ontario market through a combination of the Alliance System and the Vector Pipeline.

## **Employees**

Alliance Canada has approximately 269 employees.

## **THE SASKATCHEWAN SYSTEM**

### **Description of the Saskatchewan System**

Enbridge Saskatchewan owns and operates crude oil and liquids pipeline systems comprised of four principal assets: (i) the Saskatchewan Gathering System; (ii) the Westspur System; (iii) the Weyburn System; and (iv) the Virden System. Collectively, these crude oil and liquids pipeline systems are monitored from Enbridge Saskatchewan's pipeline control centre in Estevan, Saskatchewan, and comprise approximately 296 km of trunk line and approximately 1,900 km of crude oil and liquids gathering system pipeline and related terminals and storage facilities. Deliveries from the Saskatchewan Gathering System and Weyburn System are received into the Westspur System and, as such, are subject to any constraints in capacity on the Westspur System. Capacity figures presented below represent capacity to accept and deliver crude oil assuming there are no Westspur System capacity constraints.

The Saskatchewan Gathering System was built in 1955. It is a gathering system located in Southeastern Saskatchewan that transports crude oil from producing fields to the Westspur System. The Saskatchewan Gathering System consists of approximately 1,600 km of gathering lines ranging in diameters from three inches to ten inches. The Saskatchewan Gathering System has nine storage tanks with a combined capacity of 36,000 barrels. The capacity of the Saskatchewan Gathering System is approximately 190,000 bpd.

The Westspur System was also built in 1955. It is a trunkline system located in Southeastern Saskatchewan that transports crude oil received from gathering systems and from truck shipments, and natural gas liquids received from the Steelman gas processing plant. The crude oil and natural gas liquids are transported via the Westspur System to Cromer, Manitoba and from there to Eastern Canada and the United States via connecting pipeline systems. The Westspur System has transported crude oil south to the United States border for subsequent transportation on a system in North Dakota owned by Enbridge Energy Partners, L.P. to Clearbrook, Minnesota and the Minnesota Pipeline. However, this line was idled in 2006 because of prorationing on the North Dakota line due to the increase in production of U.S. domestic crude oil. On a periodic basis, the Westspur System also transports crude oil to the United States' border for subsequent transportation to the Tesoro Mandan Refinery in North Dakota.

The Westspur System consists of approximately 296 km of 12 and 16-inch line trunk line and approximately 100 km of gathering lines ranging in diameters from four inches to eight inches. The Westspur System has three pumping stations near Midale, Steelman and Alida, Saskatchewan with a total of 10 storage tanks with a combined capacity of 340,000 barrels. The capacity of the Westspur System is approximately 190,000 bpd.

The Weyburn System was built in 1957. This system is a gathering system located immediately to the west of the Westspur System and delivers crude oil from producing fields to the Westspur Midale pumping station. The Weyburn System consists of approximately 100 km of gathering lines ranging in diameters from three inches to twelve inches and two storage tanks located at Weyburn with a combined capacity of 30,000 barrels. The capacity of the Weyburn System is approximately 47,000 bpd.

The Virden System was built in 1955. It is a gathering system located in Southwestern Manitoba and delivers crude oil from producing fields to Cromer, Manitoba. From there, the crude oil is delivered to Eastern Canada and the United States via connecting pipeline systems. The Virden System consists of approximately 100 km of gathering lines ranging in diameters from three inches to six inches. In addition, the Virden System includes a truck unloading terminal located at Cromer. The terminal has three storage tanks with a combined capacity of 3,000 barrels. The capacity of the Virden System is approximately 37,000 bpd.

### **Description of the Saskatchewan System Business**

#### **Crude Oil Shipments**

The Saskatchewan System transports crude oil of various qualities and viscosities from producing fields in Southern Saskatchewan and Southwestern Manitoba as well as natural gas liquids from the Steelman gas processing plant, to Cromer, Manitoba where the liquids enter Enbridge's mainline pipeline to be transported to the United States. The

Saskatchewan System also transports crude oil south to the United States via interconnections with systems owned by Tesoro High Plains Pipeline Company at the U.S. border near Lignite, North Dakota.

The following table sets forth the average daily throughput volume for each of the systems within the Saskatchewan System for the past three years.

**Average Daily Throughput Volume by System<sup>(1)</sup>**

(thousands of bpd)	<b>2007</b>	2006	2005
Westspur	<b>157.2</b>	155.2	148.7
Saskatchewan Gathering	<b>109.6</b>	103.8	103.2
Weyburn	<b>35.0</b>	37.3	35.0
Virден	<b>24.2</b>	20.7	21.5

Note:

<sup>(1)</sup> Totals are not presented as the same volumes can be transported through a combination of the above listed systems.

**Shippers**

During 2007, 26 Shippers tendered crude oil and other liquid hydrocarbons for delivery through the Saskatchewan System. The four largest Shippers account for approximately 51.7% of aggregate tariff revenue recorded in 2007. All other Shippers individually accounted for less than 7% of such revenue. The Saskatchewan System has a lien over products in its system to secure accounts receivable arising from transportation services.

**Operations and Tolls**

Operations and tolls for the Saskatchewan Gathering System and the Westspur System are based on agreements with certain crude oil Shippers, which expired in 1995. At present, operations and tolls are monitored on a customer complaint basis. These agreements set out the annual cost of service and rate base. The cost of service includes actual costs of operating these pipeline systems in addition to administrative expense allowances, depreciation, deemed interest charges, deemed income taxes and a return on rate base. When a Shipper wishes to establish a new system connection, the Shipper generally enters into a five or ten year contract with specific volume commitments. Outside of these new connection contracts, the Saskatchewan System generally does not maintain contracts with Shippers requiring a specific volume commitment, but rather operates similar to a common carrier pipeline, accepting volumes monthly from existing and new Shippers.

The Saskatchewan Gathering System and the Westspur System calculate a per barrel rate in advance based on the expected annual cost of service and system deliveries. Shippers are invoiced for transportation service upon receipt of crude oil into either the Saskatchewan Gathering System or the Westspur System. Generally, adjustments are made on an annual basis so as to recover from or credit to Shippers, as applicable, differences between the expected and the actual cost of service and between expected and actual throughput in a particular year in the subsequent year's cost of service.

The Weyburn System and the Virден System are also operated similar to a common carrier basis with five or ten year Shipper contracts for volume commitments are generally only required for new system connections. These systems utilize market-based tolls in each of their respective gathering territories.

**Safety and Environment**

The Saskatchewan System proactively addresses safety and environmental issues by ensuring it has appropriate mechanisms in place to monitor the safety and environmental aspects of its operation. The Saskatchewan System uses established safety and environmental management systems and has established policies, programs and practices for conducting safe and environmentally sound operations. These safety and environmental management systems promote awareness and foster openness and dialogue with employees, the public, regulators and key stakeholders, resulting in a positive safety and environmental image, and improved safety and environmental performance throughout the Saskatchewan System's pipeline operations and in the communities in which it operates.

The Saskatchewan System seeks to ensure compliance with all applicable regulatory and permit requirements and acts proactively to identify, evaluate and mitigate any potential impacts and issues associated with its operations. It also engages in a concerted effort to reduce environmental liabilities associated with oil contaminated soil.

Spills of crude oil and petroleum products are not unusual within the petroleum pipeline industry and the Saskatchewan System has in the past experienced such spills. A comprehensive methodology for managing environmental aspects of hydrocarbon spills is in place. Spills along the pipeline systems as a result of past operations may have resulted in soil or groundwater contamination where further remediation may be required. The Saskatchewan System continues to voluntarily investigate past leak sites for the purpose of assessing whether any remediation is required in light of current regulations and acts proactively in consultation with regulatory agencies and landowners to remediate contaminated lands. To date, no material environmental risks have been identified.

None of the environmental protection requirements applicable to the pipeline operations of the Saskatchewan System do, or are expected to, adversely affect the pipeline operations' competitive position, capital expenditure program or level of earnings. However, the risk of substantial liabilities is inherent in pipeline operations and there can be no assurance that such liabilities will not be incurred.

To measure safety and environmental performance, regular reviews and internal audits are conducted to assess compliance with legislation and company policy. To the best of the Manager's knowledge, the Saskatchewan System's pipeline operations are in material compliance with all applicable safety and environmental regulations governing their operations. See "Risk Factors".

### **Pipeline Integrity**

The focus of the integrity management program is to continuously monitor the condition of the Saskatchewan System and apply preventative maintenance programs. The Saskatchewan System regularly inspects its systems for corrosion and pipe deformities, such as dents. All work plans and implementation procedures meet or exceed regulatory requirements and are regularly reviewed and continuously improved to ensure best technologies are utilized and integrity management processes are optimized. See "Risk Factors".

### **Competition**

The Saskatchewan System faces competition in pipeline transportation from other pipelines as well as other forms of transportation, most notably trucking. Examples of competing pipelines within the Saskatchewan System's geographic region include the Wascana and the Wapella pipelines and a system in North Dakota owned by Enbridge Energy Partners, L.P. Due to the location and cost structure of the Saskatchewan System, there are inherent advantages for Shippers to utilize the Saskatchewan System for certain production and this has allowed the Saskatchewan System to maintain relatively stable throughput levels.

Currently, the competitive pressures are mitigated by the increased demand for pipeline capacity. The Saskatchewan System currently has little or no excess capacity, which has resulted in producer restrictions being applied to forecasted production each month on the Saskatchewan Gathering and Westspur Systems. The capacity of the Westspur System is being expanded in response to an anticipated increase in the supply of crude oil from existing and newly discovered oil fields in Central and Southeastern Saskatchewan. This project is expected to increase capacity by 20% to meet growing demand and to be in service by the second quarter of 2008. See "Crude Oil Shipments" and "Risk Factors".

## **GREEN POWER**

Green Power includes a 50% interest in NRGreen; a 50% interest in the SunBridge Wind Power Project (SunBridge) formed under the Partnership Act (Alberta) on April 1, 2001; and a 33% interest in each of the Magrath and Chin Chute Wind Power Projects, with joint venture agreements effective June 12, 2003 and July 20, 2005, respectively. These entities produce electricity via renewable and alternative energy sources.

### *Wind Power Assets*

SunBridge is located approximately five km southeast of Gull Lake in southwest Saskatchewan and began commercial operations in 2002. SunBridge utilizes a fleet of 17 turbines with a total capacity of 11 MW. Enbridge and its subsidiaries provide operational support to this project.

The Magrath wind power project is located approximately seven km southwest of Magrath in southern Alberta and began commercial operations in 2004. The Magrath wind farm utilizes 20 turbines (1.5 MW each) with a total capacity of 30 MW and is operated by Acciona Wind Energy Canada Inc.

The Chin Chute wind power project began commercial operations on October 31, 2006 and is located approximately 20 km southwest of Taber, Alberta. The Chin Chute wind farm utilizes 20 turbines (1.5 MW each) with a total capacity of 30 MW and is operated by Acciona Wind Energy Canada Inc.

#### *NRGreen*

NRGreen began operations of its 5 MW non-regulated waste heat recovery facility at Kerrobert, Saskatchewan on December 29, 2006. This facility is located at the Alliance Canada compressor station in Kerrobert, Saskatchewan and is operated by Alliance Canada. NRGreen is currently constructing three additional facilities in Loreburn, Estlin and Alameda, Saskatchewan.

### **Description of the Green Power Business**

#### *Wind Power Assets*

The electricity generated by SunBridge is delivered into the Saskatchewan power grid and is sold under a long term Power Purchase Agreement to SaskPower. The energy produced by Magrath and Chin Chute is delivered into the Alberta power grid. The price of electricity generated on these projects is fixed under long-term contracts with Enbridge Pipelines Inc., a subsidiary of Enbridge, at Magrath and another counterparty at Chin Chute. The Magrath PPA expires on November 30, 2024 while the Chin Chute PPA expires on December 31, 2017.

#### *NRGreen*

Electricity is generated by harnessing the waste heat produced by Alliance Canada's gas turbines at its compressor stations and converting it to electrical energy. SaskPower purchases the power generated from the 5 MW Kerrobert facility under a 10-year PPA that expires on December 29, 2016. NRGreen may elect to issue two successive renewal notices, each extending the PPA for an additional five-year period. On August 22, 2006, NRGreen signed PPAs with SaskPower for the future power generated by the three additional waste heat recovery facilities currently under construction by NRGreen. Commencement of operations for these new facilities is expected in mid-2008.

### **Safety and Environment**

Green Power proactively addresses safety and environmental issues by ensuring appropriate mechanisms are in place to monitor these aspects of operations. Green Power uses safety and environmental management systems and has established policies, programs and practices for conducting safe and environmentally sound operations.

### **Competition**

Green Power operates in the Canadian power sector, which is affected by competition and the supply demand balance for power in the provinces in which it operates (Alberta and Saskatchewan). This industry sector includes large utilities and small independent power producers. Some competitors have significantly greater financial and other resources than the Fund. However, the competitive pressures are mitigated by the PPAs and the increasing demand for renewable sources of energy.

### **Seasonality and Cyclicity**

The wind power business is largely influenced by the wind resource, which fluctuates daily and seasonally. Additionally, since electricity cannot be economically stored, wind power is exposed to fluctuations in price. The Fund reduces its exposure to seasonality and price risk through its PPAs, which provide fixed prices for the electricity produced. NRGreen is also exposed to seasonality since waste heat conversion is reduced in extreme heat.

## **INDUSTRY AND REGULATORY OVERVIEW**

### **Alliance Canada Pipeline**

#### *Industry Overview*

The natural gas transportation industry from Western Canada to the Eastern markets in North America has expanded in recent years. The Alliance System is one of four natural gas systems now providing transportation services from the WCSB to Eastern markets.

Canadian federally-regulated natural gas transportation services are generally provided under gas transportation tariffs that provide for the recovery of costs and a return on the investment base. As such, the income from transportation services is not directly impacted by fluctuations in natural gas prices; however, natural gas prices do

impact the exploration and production levels for natural gas conducted in the WCSB, Northern Canada and Alaska, which will ultimately impact the quantity of natural gas transported, or available for transport, from the WCSB.

#### *Regulatory Overview*

The Alliance Canada Pipeline is subject to Canadian federal regulation by the NEB. The NEB exercises jurisdiction over construction and operation of all international and interprovincial natural gas pipelines in Canada pursuant to the NEB Act. The NEB has jurisdiction to regulate the tolls, as well as all aspects of the terms and conditions applicable to the services provided by a pipeline. Alliance Canada has filed, and the NEB has accepted, the tariffs governing service on the Alliance Canada Pipeline. See "Description of Alliance Canada Business — Tolls and Tariff Structure".

### **The Saskatchewan System**

#### *Industry Overview*

The crude oil and liquids gathering and short haul shipping industry in the Canadian prairie regions of Alberta, Saskatchewan and Manitoba is serviced through a number of regional pipeline and trucking transportation companies. The prairie regions served by the Saskatchewan System have historically demonstrated a relatively stable level of production and need for transportation services despite significant volatility in crude oil and liquids commodity prices. However, the price of these commodities can ultimately impact the amount of new exploration or the pace of production in the prairies potentially leading to a change in the amount of transportation services required. In the long term, the ability of producers to locate sufficient new production or develop new extraction technology to replace existing production in these regions will also impact the volume of deliveries or costs of pipeline gathering and trucking transportation services. See "Risk Factors".

#### *Regulatory Overview*

The systems comprising the Saskatchewan System are subject to regulation by various authorities. Both the Saskatchewan Gathering System and the Weyburn System are regulated by SER whereas the Westspur System is regulated by the NEB and the Virden System is regulated by STEM.

The NEB, SER and STEM exercise statutory authority over various matters such as construction and operations and may, when necessary, exercise authority over rates and ratemaking agreements with customers as well as underlying accounting principles. The regulators do not regularly review or approve the rates established by the pipeline systems comprising the Saskatchewan System. In the event of a customer complaint, however, the regulator would review and provide a ruling on the rates in question.

### **Green Power**

#### *Industry Overview*

Demand for electricity produced by alternative energy sources has increased steadily in conjunction with demographic and related economic growth and the movement towards environmentally friendly sources of power. The Fund expects that these trends and ongoing interest and support from government will drive further growth opportunities within its Green Power segment.

#### *Regulatory*

Green Power operates in Saskatchewan and Alberta. The Saskatchewan Government regulates the power market in which NRGreen and SunBridge operate while Chin Chute and Magrath operate in the fully deregulated, competitive power market in Alberta.

## **RISK FACTORS**

A discussion of the Fund's risk factors is contained in the following subsections of the Management's Discussion and Analysis for the year ended December 31, 2007, which are incorporated herein by reference (the page references below are to the Company's 2007 Management's Discussion and Analysis filed on SEDAR at [www.sedar.com](http://www.sedar.com)):

Alliance Canada – Business Risks (page 9);  
Saskatchewan System – Business Risks (page 13);  
Green Power – Business Risks (page 16);  
Overall Risk Management (page 22).

## **Risks Related to the Fund's Structure and Ownership of Trust Units**

### *Nature of Trust Units*

Each Trust Unit represents an undivided beneficial interest in the Fund. The Fund's sole assets consist of ECT Notes and ECT Units and other permitted investments. The Trust Units do not represent debt instruments and there is no principal amount owing to Unitholders under the Trust Units. The Trust Units do not represent shares in the Manager, Enbridge, ECT, LP, their affiliates or any other company.

The Trust Units do not represent a direct investment in the business of the Alliance Canada Pipeline, the Saskatchewan System or the Green Power segment and should not be viewed by investors as an equity interest in either Alliance Canada or the Saskatchewan System. As holders of Trust Units, Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring legal actions against the Fund for unfair treatment or the right to require the Fund to bring legal action against third parties on behalf of the Unitholders.

The Ordinary Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of such Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

### *Unitholder Liability*

The Fund Trust Indenture provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs or for any act or omission of the Fund Trustee, provided that in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Fund's assets. In addition, the Fund Trust Indenture states that no Unitholder is liable to indemnify the Fund Trustee or any other person for any liabilities incurred by the Fund Trustee, including with respect to taxes payable by the Fund or the Fund Trustee, and all such liabilities will be enforced only against, and will be satisfied only out of, the Fund's assets. The Fund Trust Indenture also provides that all contracts entered into by or on behalf of the Fund shall contain a provision or be subject to an acknowledgement to the effect that the obligations of the Fund thereunder will not be binding upon Unitholders personally and that such provisions and acknowledgement shall be held in trust and enforced by the Fund Trustee for the benefit of the Unitholders.

In conducting its affairs, the Fund does, however, assume certain existing contractual obligations and may have to do so in the future. Although the Manager will use reasonable efforts to have any contractual obligations modified so as not to have such obligations binding upon any of the Unitholders personally, it may not obtain such modification in all cases. To the extent that any claims under such contracts are not satisfied by the Fund, there is a risk that a Unitholder may be held personally liable for obligations of the Fund where the liability is not disavowed as described above.

Notwithstanding the terms of the Fund Trust Indenture, Unitholders may not be protected from liabilities of the Fund to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Fund (to the extent that claims are not satisfied by the Fund's assets) that do not arise under contract, including claims in tort, claims for taxes and other possible statutory liabilities. It is intended that the activities of the Fund, ECT, LP, GP, IP Holdings and the Saskatchewan System will be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, so far as possible, to the extent they deem practicable, any material risk of liability on the Unitholders for claims against the Fund. The Manager will, to the extent it considers possible and reasonable, carry insurance, in such amounts as it considers adequate to cover the operations of the Fund and in respect of the Unitholders as additional insureds. However, most insurance policies will have exclusions for certain environmental or other liabilities. Based on the foregoing and considering the nature of the Fund's activities, that it complies with all environmental regulations relating to its properties and the insurance policies which it holds, the possibility of any personal liability of this nature arising is considered remote. The Fund Trust Indenture provides that, in the event that the payment of a Fund obligation is made by a Unitholder, such Unitholder will be entitled to reimbursement from the available assets of the Fund. Notwithstanding the foregoing, there is a risk that a Unitholder could be held personally liable for the obligations of the Fund to the extent that claims are not satisfied by the Fund.

On July 1, 2004, the Province of Alberta proclaimed the *Income Trusts Liability Act* (Alberta) in force. This legislation provides that beneficiaries of income trusts governed by the laws of Alberta are not liable, as beneficiaries, for any act, default, obligation or liability of the income trust. Unitholders of the Fund will have the benefit of this legislation

with respect to liabilities arising on or after July 1, 2004. This legislation has not, to the Manager's knowledge, been subject to interpretation by courts in the Province of Alberta or elsewhere.

The net assets of the Fund are invested in ECT Units and ECT Notes and as a holder of ECT Units the Fund Trustee is subject to potential liability for obligations of ECT in circumstances similar to those described above for Unitholders. The net assets of ECT are invested in a limited partnership interest in LP and in equity shares of GP. LP in turn may acquire and own limited partnership interests in other partnerships. A limited partner may lose the protection of limited liability if it takes part in the management and control of the business of the applicable partnership or does not comply with legislation governing limited partnerships in force in the province where the limited partner is resident or where the applicable partnership carries on business.

*Potential Conflicts of Interests*

Certain conflicts of interest could arise as a result of the relationships among Enbridge, the Manager, the Fund, ECT, LP and Enbridge Income Partners Holdings Inc. The senior officers of the Manager are also employees of Enbridge, which could result in conflicts of interest. This risk is, in part, mitigated by the requirement for approval of material transactions between the aforementioned parties by a majority of the Independent ECT Trustees.

## DISTRIBUTIONS

The following table summarizes the monthly cash distributions declared on the Trust Units since January 2005. The historical distribution declarations described below may not be reflective of future distribution declarations. The actual amount distributed to Unitholders is determined by the Manager, as administrator of the Fund, and is dependent on distributions being declared on the ECT Units by the ECT Trustees. In determining whether to declare distributions on the ECT Units, the ECT Trustees take into account the prevailing circumstances at the time, including current and anticipated operating cash flow, debt repayments and capital expenditure and working capital requirements.

### Month of Cash Distribution Per Trust Unit

<u>Payment Date</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
January	0.08000	0.07659	0.07583
February	0.08000	0.07659	0.07583
March	0.08000	0.07659	0.07583
April	0.08000	0.07659	0.07583
May	0.08000	0.07659	0.07583
June	0.08000	0.07659	0.07583
July	0.08000	0.07659	0.07583
August	0.08000	0.07659	0.07583
September	0.08000	0.07659	0.07583
October	0.08000	0.07659	0.07583
November	0.08000	0.08000	0.07583
December	0.08000	0.08000	0.07583
<b>Total</b>	<b><u>0.96000</u></b>	<b><u>\$0.92590</u></b>	<b><u>\$0.90996</u></b>

In each of January and February 2008, a distribution of \$0.08 per Trust Unit was declared.

The Fund paid the following cash distributions to Unitholders which included a non-taxable return of capital. The non-taxable return of capital to the Unitholder reduces the adjusted cost base of the Unitholder's Trust Units. A breakdown of the taxable and non-taxable portions for each year is provided below.

<i>(\$ per Trust Unit)</i>	<b>2007</b>	2006	2005
Dividend Income	0.18245	0.14506	0.05362
Other Taxable Income	0.59404	0.59816	0.76419
Non-taxable Return of Capital	0.18351	0.18268	0.09219
<b>Total Distribution</b>	<b>0.96000</b>	<b>0.92590</b>	<b>0.91000</b>

### **Distribution Policy of the Fund**

The Fund's policy is to distribute, on average, approximately 95% of cash available for distributions on an annual basis over approximately a rolling five-year period. The remaining 5% is used by the Fund to repay debt obligations, for general purposes and to levelize distributions. Monthly distributions are made to Unitholders of record as of the close of business on the last business day of each month and paid to Unitholders on or about the 15th day of the following month.

#### *Distribution Limitations*

Should the Manager determine that the Fund does not have sufficient cash to pay the full amount of any distribution declared, payment of such distribution may, at the option of the Manager, result in the issuance of additional Trust Units, or fractions of Trust Units if necessary, having an aggregate value equal to the difference between the distribution declared and the cash available for the payment of such distribution. However, a Unitholder is only entitled to receive Trust Units of the same class as the class in which the distribution was declared. The value of each Trust Unit to be issued for payment of distributions shall equal the "market price" (as determined in accordance with the provisions of the Fund Trust Indenture).

Holders of Subordinated Units are entitled to receive cash distributions on a monthly basis (when declared by the Fund) which are in an amount equal to the monthly cash distribution declared and paid on each Ordinary Unit, without preference or priority, unless the Distributable Cash in the month would result in a monthly distribution per Trust Unit declared of less than \$0.06875. In such case, a distribution for the month shall first be declared payable on each Ordinary Unit in an amount up to \$0.06875 per Ordinary Unit, and any remaining balance of Distributable Cash shall then be declared payable, on a per unit basis, to holders of Subordinated Units.

The Ordinary Units' priority with respect to distributions of Distributable Cash described in the paragraph above shall terminate from and after July 1, 2008 provided that during the 12 consecutive month period immediately preceding (July, 2007 to June, 2008) the Fund declared and paid aggregate distributions per Trust Unit in an amount equal to or exceeding \$0.825. Failing which, the Distribution Priority will continue until the Fund has declared and paid aggregate distributions per Trust Unit in an amount equal to or exceeding \$0.825 during any period of 12 consecutive calendar months, commencing with the 12-month period August, 2007 to July, 2008.

Upon termination of the Distribution Priority, the Ordinary Units and the Subordinated Units shall be equal in all respects without discrimination, preference or priority, and the Subordinated Units shall become Ordinary Units by their terms.

The Fund's Credit Facility includes a provision that prohibits distributions to unitholders if an event of default occurs. The Fund's credit facility agreement includes a covenant that limits unconsolidated indebtedness to 4 times EBITDA. In the event of default and in the absence of a waiver from the lenders, failure to remediate a breach of this covenant could result in a reduction of distributions to unitholders.

### **Distribution Policy of Alliance Canada**

Any decision by Alliance Canada to make a distribution is made by the board of directors of Alliance GP on the basis of cash flow, financial requirements and other conditions existing at the time of such decision. To date, Alliance Canada has made quarterly distributions of funds not required for capital expenditures or other partnership purposes. Alliance Canada Pipeline's tolling structure is such that its cash available for distribution is expected to continue to be paid out quarterly absent the occurrence of any of the matters described in "Risk Factors". The Fund, as a 50% owner of Alliance GP, has the right to appoint 50% (currently three of six) of the directors to the board of Alliance GP.

### *Distribution Limitations*

The Alliance Canada debt agreements include a provision, which prohibits distributions to partners if an event of default has occurred and is continuing. The Alliance Canada Debt Service Reserve Account must be fully funded or supported to the required level. In addition, no distributions can be made to partners if Alliance Canada's debt service coverage ratio, calculated as of the applicable distribution date, falls below 1.25 to 1 for the four preceding fiscal quarters and the four succeeding fiscal quarters. Furthermore, if the aggregate volume under Alliance Canada's TSAs, which are in good standing, falls below 910 mmcf, the required debt service coverage ratio for purposes of the calculation referred to above will increase to 1.40 to 1.

Similar prohibitions for the distributions to partners exist in respect of the senior notes issued by Alliance Canada and Alliance US, which notes are cross-collateralized with each other.

## **RATINGS**

### **Ordinary Units**

DBRS has assigned a stability rating of "STA-2 (middle)" to the Ordinary Units. The stability rating is based on a rating scale developed by DBRS that provides an indication of both the stability and sustainability of an income fund's distributions per unit. Ratings categories range from STA-1 to STA-7, with STA-1 being the highest. DBRS further separates the ratings into high, middle and low to indicate where within the ratings category they fall. Ratings take into consideration the seven main factors of: (1) operating and industry characteristics; (2) asset quality; (3) financial flexibility; (4) diversification; (5) size and market position; (6) sponsorship/governance; and (7) growth. In addition, consideration is given to specific structural or contractual elements that may eliminate or mitigate risks or other potentially negative factors.

Income funds rated at STA-2 are considered to have very good distributions per unit stability and sustainability. These income funds typically show above-average strength in areas of consideration, and possess levels of distributable income per unit, which are not likely to be significantly affected by foreseeable events. These income funds are above-average in many, if not most, areas of consideration.

The stability rating assigned by DBRS is not a recommendation to buy, sell or hold the Ordinary Units. DBRS stability ratings do not take such factors as pricing or stock market risk into consideration.

### **Medium Term Notes**

The Medium Term Notes have received a rating of "BBB (high)" from DBRS and a rating of "Baa2" with a stable outlook from Moody's. These credit ratings are not recommendations to purchase, hold or sell the Medium Term Notes and such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgement, circumstances so warrant.

DBRS rates debt instruments by rating categories ranging from a high of "AAA" to a low of "D". Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. The "AAA" and "D" categories do not utilize "high", "middle" and "low" as differential grades. The rating of "BBB (high)" from DBRS is characterized as "adequate credit quality" and is the fourth highest of ten available rating categories. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

Moody's assigns ratings to debt instruments ranging from a high of "Aaa" to a low of "C". According to Moody's rating system, debt securities rated "Baa" are considered as medium-grade obligations (*i.e.*, they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such debt securities lack outstanding investment characteristics and in fact have speculative characteristics as well. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa in its corporate bond rating system. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

## FUND TRUSTEES, AUDIT COMMITTEE AND MANAGEMENT

### ECT Trustees

The ECT Trustees are elected by the Fund's Unitholders. The following table sets forth the names of the ECT Trustees, their municipalities of residence at December 31, 2007, their respective principal occupations within the five preceding years and the year during which they first became an ECT Trustee.

<u>Name and Municipality of Residence</u>	<u>Principal Occupation or Business During the Prior Five Years</u>	<u>Trustee since</u>
Richard H. Auchinleck <sup>(1)(2)</sup> Calgary, Alberta	Mr. Auchinleck is a member of the Audit Committee of the ECT Board of Trustees. He has been a professional corporate director since 2001 and currently serves on the ConocoPhillips, TELUS Corporation, and Red Mile Entertainment Inc. boards. In addition to his current board memberships, Mr. Auchinleck has also served in the past five years on the board of Sonic Mobility Inc. Mr. Auchinleck holds a Bachelor of Applied Science degree in Chemical Engineering from the University of British Columbia.	2003
Catherine M. (Kay) Best <sup>(1)(2)</sup> Calgary, Alberta	Ms. Best has been Chair of the Audit Committee of the ECT Board of Trustees since July 1, 2006. Ms. Best has been Executive Vice-President, Risk Management and Chief Financial Officer of the Calgary Health Region since 2000 and is responsible for all finance functions. Ms. Best also serves on the Canadian Natural Resources Limited and Superior Plus Income Fund boards. She is a Chartered Accountant and a Fellow of the Chartered Accountants as awarded by the Institute of Chartered Accountants of Alberta.	2006
J. Richard Bird Calgary, Alberta	Mr. Bird has been Executive Vice President, Chief Financial Officer and Corporate Development of Enbridge Inc. since January, 2008 and has been a senior executive officer of Enbridge Inc. for over 12 years. Mr. Bird is also a director of Enbridge Pipelines Inc., Enbridge Gas Distribution Inc., and Bird Construction Company Limited. Mr. Bird holds a Bachelor of Arts from the University of Manitoba, and a Masters of Business Administration and Ph.D. from the University of Toronto. Mr. Bird is also a graduate of the Advanced Management Program at the Harvard Business School.	2002
J. Lorne Braithwaite <sup>(1)</sup> Malahide, County Dublin, Ireland	Mr. Braithwaite has been a professional corporate director since 2001 and is also a Director of Enbridge Inc., Enbridge Gas Distribution Inc., Jannock Properties Limited, Bata Shoe Corporation, MAF Shopping Centres LLC and Chairman of the Investment Advisory Committee for the Canada Post Pension Plan. Mr. Braithwaite holds a Masters of Business Administration from the University of Western Ontario.	2003
M. Elizabeth Cannon <sup>(1)</sup> Calgary, Alberta	Dr. Cannon is Dean of the Schulich School of Engineering at the University of Calgary and was appointed to that position in July, 2006 after over 15 years within the faculty, the last ten as a Professor of Geomatics Engineering. From 2002 to 2003, Dr. Cannon was also a Special Advisor to the President, University of Calgary where she worked with the President, the Provost and other university leaders to provide advice on the university's academic plan. Dr. Cannon holds a Ph.D., Master of Sciences and Bachelor of Sciences in Geomatics Engineering from the University of Calgary, and a Bachelor of Sciences in Mathematics from Acadia University.	2003
David T. Robottom Calgary, Alberta	Mr. Robottom has been Group Vice President, Corporate Law, Enbridge Inc. since June 2006, responsible for Enbridge's corporate legal function. Immediately prior to joining Enbridge, Mr. Robottom was a senior partner with Stikeman Elliott LLP, a major Canadian law firm, from February 2004 to May 2006. Prior thereto, Mr. Robottom was a senior partner at Fraser Milner Casgrain LLP, another national Canadian law firm, and served as Chief Executive Officer of that firm from February 1999 to February 2003. Mr. Robottom is also a director of Gaz Métro inc. Mr. Robottom holds Bachelor of Commerce (With Distinction), Master of Business Administration and Bachelor of Laws degrees.	2006
Gordon G. Tallman <sup>(1)(2)(3)</sup> Calgary, Alberta	Mr. Tallman is Chairman of the ECT Board of Trustees and a member of the Audit Committee of the ECT Board of Trustees. He has been a professional corporate director since 2002. Mr. Tallman is also a director of Big Rock Brewery Ltd., CV Technologies Inc., Oilsands Quest Inc., PFB Corporation, and ECL Group of Companies Ltd. In addition to his board memberships, Mr. Tallman has also served in the past five years on the board of Canadian Utilities Limited, Mount Royal College Foundation and Investment Saskatchewan Inc. Mr. Tallman is a recent graduate of the Directors' Education Program, Corporate Governance College of the Institute of Corporate	2003

<b>Name and Municipality of Residence</b>	<b>Principal Occupation or Business During the Prior Five Years</b>	<b>Trustee since</b>
	Directors.	
Stephen J. Wuori Calgary, Alberta	Mr. Wuori has been Executive Vice President, Liquids Pipelines of Enbridge Inc. since January, 2008 and has been a senior executive officer of Enbridge Inc. for over 10 years. Mr. Wuori is also a director of Enbridge Pipelines Inc., Enbridge Energy Company, Inc. and Enbridge Energy Management, L.L.C. Mr. Wuori has over 27 years of operations and business experience at Enbridge, and holds a Bachelor of Science (Civil Engineering) from Michigan Technological University and is a graduate of the Advanced Management Program at the Harvard Business School.	2003

Notes:

- (1) Independent ECT Trustee.
- (2) Member of Audit Committee.
- (3) Mr. Tallman was a director of CV Technologies Inc. when it became subject to a cease trade order issued by the Alberta Securities Commission on April 19, 2007 for failure to file financial statements. Similar cease trade orders were issued by the Ontario Securities Commission and the British Columbia Securities Commission. The Alberta Securities Commission revoked the cease trade order on June 22, 2007, and the Ontario Securities Commission and the British Columbia Securities Commission followed with similar revocations shortly thereafter.

**The Audit Committee**

**Charter**

A copy of the Terms of Reference for the Audit Committee of the ECT Board of Trustees (the “**Audit Committee**”) is included as Appendix “A” to this Annual Information Form.

**Composition of the Audit Committee**

The following table sets forth the names of each member of the Audit Committee and whether or not the member is (i) independent and (ii) financially literate (as each of those terms is used in Multilateral Instrument 52-110 Audit Committees):

<b>Name</b>	<b>Independent</b>	<b>Financially Literate</b>
Richard H. Auchinleck	Yes	Yes
Catherine M. (Kay) Best	Yes	Yes
Gordon G. Tallman	Yes	Yes

Additional information about each of the members of the Audit Committee can also be found elsewhere in this Annual Information Form under the heading “Fund Trustees, Audit Committee and Management – ECT Trustees.”

**Relevant Education and Experience**

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Fund to prepare its annual and interim financial statements.

<b>Name</b>	<b>Relevant Education and Experience</b>
Richard H. Auchinleck	In his role as CEO of a large public energy company, Mr Auchinleck was actively involved in the review and analysis of financial statements. He has served as a director, officer and audit committee member of several public companies. He also attends, on a quarterly basis, Continuing Professional Education seminars related to audit matters which receive credit applicable to the Texas State Board of Public Accountancy.

**Name****Relevant Education and Experience**

Catherine M. (Kay) Best	Ms. Best is a Chartered Accountant with 20 years experience as a staff member and Partner of an international public accounting firm. As Executive Vice-President, Risk Management and Chief Financial Officer of the Calgary Health Region, Ms. Best is responsible of all finance functions. During her tenure in public accounting, she was responsible for direct oversight and supervision of a large staff of auditors conducting audits of significant publicly traded entities, many of which were oil and gas companies. This oversight and supervision required Ms. Best to maintain a current understanding of Generally Accepted Accounting Principles, and be able to assess their application on each of her clients. It also required an understanding of internal controls and financial reporting processes and procedures.
Gordon G. Tallman	Mr. Tallman is a graduate of Dalhousie University's Executive Summer School Program as well as the University of Virginia's International Lending Program. He had a forty-one year career at a Schedule A Canadian bank, including twenty-one years as an executive and four years as Chief Auditor of the bank, during which time he actively supervised persons engaged in preparing, auditing, analyzing or evaluating financial statements. Mr. Tallman has also served as a director, officer, audit committee member or risk committee member of several public companies.

**Pre-Approval Policies and Procedures**

Pursuant to the Audit Committee's Terms of Reference, the Audit Committee's duties and responsibilities specifically include pre-approval of non-audit services to be provided to the Fund or its subsidiary entities by the Fund's auditor. In order to guide and facilitate the Audit Committee's discharging of this duty and responsibility, the Audit Committee approved a Non-audit Services Pre-approval Policy (the "**Policy**") on October 28, 2003.

The Policy prescribes categories of both permitted and prohibited services which either may or may not be performed by the Fund's auditor. In the case of permitted services, the Audit Committee must oversee and provide prior approval of the services, with the exception that the Chair of the Audit Committee has the authority to engage the Fund's auditor for permitted services with fees of up to \$5,000 between meetings of the Audit Committee, subject to confirmation by the Committee at the next subsequent meeting of the Audit Committee. Permitted services include:

- a) assurance (audit) services, including audits of subsidiaries and benefits plans, accounting consultation and special procedures;
- b) tax services including, for example, tax research and assistance with respect to Canadian and foreign tax issues and tax planning;
- c) reviews of operational controls and effectiveness risk, including, for example, enterprise risk management, corporate governance and compliance management;
- d) reviews of technology risks, including security reviews, systems implementation control reviews and forensic investigation; and
- e) reviews of financial risk including due diligence reviews and valuation advice relating to post-employment benefits.

The Audit Committee believes that it is appropriate for the Fund to preserve its ability to retain its external auditors for non-audit services in the permitted categories as they may be best equipped to render certain categories of services (such as tax compliance services) to the Fund in the most efficient and economical manner.

**External Auditor Service Fees**

The total fees billed by PricewaterhouseCoopers LLP to the Fund and its subsidiary entities for the years ended December 31, 2007 and December 31, 2006 were \$99,500 and \$89,000 respectively. All fees charged were Audit Fees.

**The Manager**

The Manager is incorporated under the laws of Canada and is a wholly-owned subsidiary of Enbridge. The names, municipalities of residence and principal occupations of the directors and officers of the Manager, as at December 31, 2007 (unless otherwise noted) together with brief biographies of those who are not also ECT Trustees, are set out below:

<b>Name and municipality of residence</b>	<b>Position with the Manager</b>	<b>Principal occupation</b>
Angela J. Bargaen Calgary, Alberta	Controller	Director, Financial Reporting, Enbridge Inc.
J. Richard Bird Calgary, Alberta	Director	Executive Vice President, Chief Financial Officer & Corporate Development, Enbridge Inc. (Effective January 2008)
James E.R. Lord Calgary, Alberta	Corporate Secretary	Senior Legal Counsel, Enbridge Inc.
David T. Robottom Calgary, Alberta	Director	Group Vice President, Corporate Law, Enbridge Inc.
James A. Schultz Calgary, Alberta	President	Senior Vice President, New Ventures, Enbridge Inc.
John K. Whelen Calgary, Alberta	Vice President, Business Development & Chief Financial Officer	Senior Vice President, Corporate Development, Enbridge Inc.
David K. Wudrick Calgary, Alberta	Treasurer	Director, Treasury, Enbridge Inc.
Stephen J. Wuori Calgary, Alberta	Director	Executive Vice President, Liquids Pipelines, Enbridge Inc. (Effective January 2008)

**Angela J. Bargaen.** Ms. Bargaen was appointed Controller of Enbridge Management Services Inc. on November 17, 2006. On December 1, 2006, Ms. Bargaen was appointed Director, Financial Reporting of the Enbridge Inc. group of companies. Prior to her current appointment, Ms. Bargaen held the position of Manager, Financial Reporting of Enbridge Inc. from March 2005 to November 2006 and held other roles within the Enbridge Inc. Corporate Controller's Group from June 2001 to February 2005. Ms. Bargaen is a Chartered Accountant and holds a Bachelor of Business Administration degree from Simon Fraser University.

**James E. R. Lord.** Mr. Lord was appointed Corporate Secretary of the Manager in December 2005 and has held the position of Senior Legal Counsel with Enbridge since October 2005. Mr. Lord joined Enbridge after almost five years at Adeptron Technologies Corporation, where he last held the position of Vice-President, Corporate Development and Corporate Secretary from March 2003 to September 2005. Prior thereto, he practiced law at the Calgary office of a major Canadian law firm, primarily within the high tech, commercial and securities groups in the firm's business law section. Mr. Lord has been a member of the Law Society of Alberta since 1998 and the Law Society of Upper Canada since 2004 and holds a Bachelor of Laws degree from the University of Calgary and a Bachelor of Arts (Hons.) degree from Queen's University.

**James A. Schultz.** Mr. Schultz is responsible for New Ventures for Enbridge Inc., including Energy Technology and Power Generation, and NetThruPut. He is also President of Enbridge Income Fund. Prior to these positions Mr. Schultz was President of Enbridge Gas Distribution. Mr. Schultz also provided oversight for Enbridge Gas New Brunswick and Wirebury Connections Inc., a new company involved in the distribution of electricity. Mr. Schultz joined Enbridge Gas Distribution in 1997 after having served in a number of senior capacities with Enbridge and Enbridge Pipelines Inc.

**John K. Whelen.** Mr. Whelen is responsible for Enbridge Inc.'s corporate development and planning functions. Mr. Whelen is also Vice President, Business Development and Chief Financial Officer for Enbridge Management Services Inc., the entity that administers the affairs of Enbridge Income Fund. Prior to these roles, Mr. Whelen served as Vice President & Treasurer of Enbridge Inc. responsible for corporate and project finance, cash management and banking, and financial risk management.

**David K. Wudrick.** Mr. Wudrick was appointed Treasurer of the Manager in August 2005. Mr. Wudrick is a Director of Treasury responsible for administering the syndicated credit arrangements and Canadian capital market activities for the Enbridge group of companies. He has held this position since October 2007. Mr. Wudrick previously held the position of Manager of Corporate Finance and Manager of Cash Management & Banking for Enbridge Inc. from 2001 to 2007. During that time he was responsible for administering the Canadian debt capital

market activities as well as for short term financing for all Enbridge Subsidiaries and Affiliates, including the Enbridge Income Fund. Mr. Wudrick is a Certified Management Accountant.

Each of the directors and officers of the Manager are also employees of Enbridge and/or subsidiaries of Enbridge. In their role as directors and officers of the Manager, they devote such time as is required for the Manager to fulfill its obligations to the Fund.

At December 31, 2007, the ECT Trustees and the directors and officers of the Manager beneficially owned, directly or indirectly, less than 1% of the Ordinary Units. The information as to Ordinary Units beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the respective ECT Trustees and the directors and officers of the Manager individually. The ECT Trustees and the directors and officers of the Manager do not beneficially own, directly or indirectly, any voting securities of any subsidiary entity of the Fund.

### **Agreements with the Manager**

The Manager provides administrative and management services to the Fund and its subsidiaries.

### **Services**

The scope of the services to be provided by the Manager varies among the Services Agreements:

#### *To the Fund:*

The Manager provides on an exclusive basis, all general administrative and operational services to the Fund in order to administer the operations of the Fund under the Administrative Services Agreement, which is filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### *To ECT and GP:*

The Manager provides services required to manage, operate, control and administer the business of ECT or GP and makes all decisions regarding the affairs of ECT and GP as set out in the Management Agreement filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### *To Enbridge Saskatchewan:*

The Manager provides services required to operate and administer the business of Enbridge Saskatchewan, including general and administrative services and pipeline operating services. The Saskatchewan Services Agreement has an initial five-year term and is automatically renewable for an additional twelve-month period unless earlier terminated by the Manager, ESOSI or Enbridge Saskatchewan.

### **Fees**

Under the Services Agreements, the Manager receives fees in consideration of the services it provides to the Fund, ECT and GP.

#### *The Fund:*

In consideration for providing the services to the Fund, the Manager is entitled to receive a base fee (the "**Administration Base Fee**") of \$50,000 annually, payable in equal quarterly installments, subject to annual adjustment based on the increase in the Canadian Consumers' Price Index during the immediately preceding year.

#### *ECT:*

In consideration for providing services to ECT under the Management Agreement, the Manager is entitled to receive:

- (i) a base fee (the "**Management Base Fee**") of \$50,000 annually, payable in equal quarterly instalments, subject to annual adjustment based on the increase in the Canadian Consumers' Price Index during the immediately preceding year; and
- (ii) an incentive fee (the "**Incentive Fee**") payable annually and equal to 25% of cash distributions above a base distribution level of \$0.825 per Trust Unit per year.

The Manager is also entitled to the reimbursement of all out-of-pocket and third party fees, costs and expenses reasonably incurred by the Manager in carrying out its obligations and duties under the Management Agreement.

#### *GP:*

In consideration for providing services to GP under the GP Services Agreement, the Manager is entitled to receive a fee equal to 115% of its operating expenses reasonably attributable to the provision of such services and reimbursement of all reasonable expenditures made by the Manager in the course of providing such services.

#### *Enbridge Saskatchewan:*

In consideration for providing services to Enbridge Saskatchewan under the Saskatchewan Services Agreement, ESOSI receives an amount equal to all costs and expenses reasonably incurred in the course of providing such services. The amounts paid under the Saskatchewan Services Agreement are not intended to provide ESOSI with any financial gain or loss.

#### **Conflicts of Interest and Restrictions on the Manager**

The Services Agreements do not prohibit Enbridge or its affiliates (excluding the Manager) from competing with the Fund, except where any new activities proposed to be engaged in by Enbridge or its affiliates would give rise to, or would be reasonably likely to give rise to, a material adverse change in the financial affairs of the Fund unless the Fund declined to pursue such activities and they have been, or are reasonably likely to be, undertaken by third parties. See "Conflicts of Interest and Fiduciary Duties".

The Management Agreement provides that the Manager may not, without the approval of a majority of the Independent ECT Trustees:

- i.) dispose of any material assets or equipment which are used in operating or maintaining the business of ECT, other than in the ordinary course of business or as provided for in the annual management plan; or
- ii.) enter into any transaction for and on behalf of ECT or an affiliate thereof with the Manager or an affiliate of the Manager except relating to the delegation of the Manager's responsibilities under the Management Agreement; or
- iii.) provide any consent or waiver of contractual terms or conditions in favour of, or for the benefit of, the Manager or any of its affiliates pursuant to any contract or agreement between the Manager or any of its affiliates and ECT.

Further, the Manager may not materially deviate from the current annual management plan without prior approval of a majority of the ECT Trustees, unless required to safeguard life or property or minimize economic loss to ECT's business and time does not reasonably permit the Manager to obtain the required written approval.

#### **Assignment and Delegation**

Subject to limited exceptions, the Services Agreements are transferable by the Manager to third parties only with the prior written consent of a majority of the Independent ECT Trustees. The Administration Agreement and the Management Agreement permit the Manager to delegate its responsibilities; however, the Manager is ultimately responsible for ensuring the performance of its duties and obligations under each agreement and discharging its contractual standard of care.

#### **Term and Termination**

##### *General*

Each of the Services Agreements, other than the Saskatchewan Services Agreement, have an initial 20-year term and are automatically renewable for additional successive terms of five years each unless terminated by the Manager on prior written notice.

##### *Management Agreement*

The Management Agreement provides that it may be terminated by the Independent ECT Trustees in certain circumstances as described in the Management Agreement.

##### *Administration Agreement*

In circumstances where the Fund initiates termination of the Administration Agreement, ECT has agreed to undertake the performance of the duties which, but for the termination, would have been performed by the Manager under both the Administration Agreement and the Fund Trust Indenture. ECT shall perform such duties on the same terms and conditions as they were performed by the Manager, and will be obligated to continue to perform such duties until such time as a successor administrator is appointed.

### *Saskatchewan Services Agreement*

The Saskatchewan Services Agreement provides for an initial term of five years, subject to an automatic one-year renewal term if notice to renew or not renew the agreement is not otherwise given at least 90 days prior to the expiration of the initial term. In addition, each party to the Saskatchewan Services Agreement has the right to terminate the agreement upon 180 days written notice to the other parties.

## **DESCRIPTION OF THE FUND TRUST INDENTURE**

The following is a summary of certain terms of the Fund Trust Indenture, which, together with other summaries of the terms of the Fund Trust Indenture appearing elsewhere in this Annual Information Form, are qualified in their entirety by reference to the text of the Fund Trust Indenture.

### General

The Fund is an unincorporated open-ended trust created pursuant to the Fund Trust Indenture and governed by the laws of the Province of Alberta. Although it is intended that the Fund continue to qualify as a "mutual fund trust" pursuant to the Tax Act, the Fund will not be a mutual fund under applicable securities laws.

The Fund is a limited purpose trust and, at present, its activities are restricted to:

- a) acquiring, holding, transferring, disposing of, investing in, and otherwise dealing with assets, securities (whether debt or equity) and other interests or properties of whatever nature or kind of or issued by ECT or other corporations, partnerships or any other business entity in which ECT has an interest, involved in energy infrastructure and/or related businesses;
- b) borrowing funds, guaranteeing debts for any of the purposes outlined above;
- c) temporarily holding cash and other short term investments in connection with and for the purposes of the Fund's activities, including paying administration and trust expenses, paying any amounts required in connection with the redemption of Trust Units and making distributions to Unitholders;
- d) issuing Trust Units, installment receipts, and other securities (whether debt or equity) of the Fund, for the purposes of:
  - a. obtaining funds to conduct the activities, including raising funds for further acquisitions;
  - b. repayment of any indebtedness or borrowings of the Fund or any affiliate thereof, including the indebtedness evidenced by the ECT Preferred Units;
  - c. establishing and implementing Unitholder rights plans, distribution reinvestment plans, Trust Unit purchase plans, and incentive option and other compensation plans established by the Fund, if any;
  - d. satisfying obligations to deliver securities of the Fund, including Trust Units, pursuant to the terms of Exchangeable Securities; and
  - e. making non-cash distributions to Unitholders as contemplated by the Fund Trust Indenture including *in specie* redemptions and distributions pursuant to distribution reinvestment plans; and
- e) repurchasing or redeeming Trust Units or other securities of the Fund.

### **Fund Trustee**

CIBC Mellon is the Fund Trustee and also acts as transfer agent and registrar for the Ordinary Units. The Fund Trust Indenture provides that, subject to the specific limitations contained in the Fund Trust Indenture and the direct grant of certain powers to the Manager, as administrator of the Fund, the Fund Trustee has full, absolute and exclusive power, control and authority over the property of the Fund.

The Fund Trust Indenture provides that the Fund Trustee must act honestly and in good faith with a view to the best interests of the Fund and the Unitholders and exercise the degree of care, diligence and skill that a reasonably prudent person with similar experience to that of the Fund Trustee would exercise in comparable circumstances.

The Fund Trustee has delegated the execution of certain of its powers to the Manager outlined in the Administration Agreement, and to ECT, outlined in the Fund Delegation Agreement. The Fund Trustee may also delegate the execution of certain of its powers to such other persons as the Fund Trustee may deem necessary or desirable.

The Fund Trust Indenture provides that the Fund Trustee shall have no liability to any unitholder unless such liability is the result of a breach of the Fund Trustee's standard of care or its gross negligence, willful default or fraud. Delegation by the Fund Trustee to the Manager or ECT is deemed to satisfy the Fund Trustee's standard of care. The Fund Trustee shall be indemnified out of the assets of the Fund in respect of any liability and all costs, charges and expenses relating to any action, suit or proceeding or for any taxes or other government charges imposed upon the Fund Trustee in consequence of its performance of its duties, unless it has failed to meet its standard of care or its conduct giving rise to liability amounts to gross negligence, willful default or fraud. The Fund Trust Indenture also contains other customary provisions limiting the liability of the Fund Trustee.

#### **Certain Restrictions on Fund Trustee's Powers**

The Fund Trust Indenture provides that a material change to the Administration Agreement (which includes any increase in fees or other amounts payable by the Fund thereunder) or the terms of any agreement entered into by the Fund with an ECT Trustee who is not an Independent ECT Trustee, the Manager or any affiliate of the Manager, must be approved by a majority of the Independent ECT Trustees, acting reasonably.

The Fund Trust Indenture further provides that the Fund Trustee may not, without approval of Unitholders by Ordinary Resolution: (i) vote the ECT Units with respect to any matter which, under the ECT Trust Indenture, requires or permits approval of the holders of ECT Units by Ordinary Resolution; or (ii) appoint or change the auditors of the Fund, except in the event of a voluntary resignation of such auditors.

In addition, the Fund Trust Indenture provides that the Fund Trustee may not, without approval of Unitholders by Special Resolution:

- (i) amend the Fund Trust Indenture (except in certain limited circumstances described under "Amendments to the Fund Trust Indenture" below);
- (ii) sell, lease or exchange all or substantially all of the property of the Fund, other than
  - a. in the ordinary course of business,
  - b. *in specie* redemption permitted under the Fund Trust Indenture, or
  - c. In order to acquire ECT Units and ECT Notes in connection with pursuing the purposes of the Fund;
- (iii) authorize the termination, liquidation or winding-up of the Fund, other than at the end of the term of the Fund (as described under "Term of the Fund" below); or
- (iv) authorize the combination or merger or similar transaction between the Fund and any other person(s) that is not an affiliate or associate of the Fund if, following the transaction, the counterparties involved hold, directly or indirectly, more than 50% of the outstanding voting rights attributable to securities of the issuer which results from such combination, merger or other transaction.

#### **Amendments to the Fund Trust Indenture**

Except where otherwise specifically provided in the Fund Trust Indenture, the indenture may only be amended or altered from time to time by Special Resolution.

The Fund Trustee is entitled, at its discretion (which discretion has been delegated to the Manager in respect of items (i) to (iii) below and to the ECT Trustees with respect to item (iv) below) and without the approval of the Unitholders, to make amendments to the Fund Trust Indenture for any of the following purposes:

- (i) ensuring the Fund continues to comply with applicable laws, regulations, requirements or policies of any governmental or regulatory authority having jurisdiction over the Fund;
- (ii) providing additional protection for the Unitholders or to preserve or clarify the provision of desirable tax treatment to Unitholders;
- (iii) making minor corrections, or removing or curing any conflicts or inconsistencies between the provisions of the Fund Trust Indenture or any supplemental indenture and the provisions of the ECT Trust Indenture, or any agreement to which the Fund is a party, provided that, in the opinion of the Fund Trustee in each case, the rights of the Unitholders are not materially prejudiced thereby;
- (iv) making amendments which are necessary or appropriate in order to provide Unitholders with the benefit of any legislation limiting their liability, including, if appropriate, amendments to effect a change in the *situs* of the Fund or the laws governing the Fund.

No amendment may be made to the Fund Trust Indenture to modify the voting rights attributable to Trust Units or to reduce the fractional undivided beneficial interest in the property of the Fund represented by any Trust Unit without the consent of the holder of such Trust Unit.

### **Units of the Fund**

The beneficial interests in the Fund are represented and constituted by two classes of units, the Ordinary Units and the Subordinated Units. An unlimited number of each of the Ordinary Units and the Subordinated Units may be issued. At December 31, 2007, there were 20,125,000 Ordinary Units outstanding and 14,500,000 Subordinated Units outstanding. Enbridge owns all of the Subordinated Units.

As summarized below, the Ordinary Units and the Subordinated Units are equal in all respects, without discrimination, preference or priority, except with respect to distributions of Distributable Cash and the priority of the Ordinary Units in respect thereof.

(a) *Voting.*

The holders of trust units are each entitled to vote at all annual and special meetings of Unitholders. The holders of trust units shall vote together as a single class in respect to all matters to be put before unitholders for vote, except with respect to any proposal to amend the provisions of the Fund Trust Indenture which pertain to the terms and conditions providing for the subordination of the holders of Subordinated Units, in certain circumstances, with respect to distributions of distributable cash to all unitholders.

(b) *Distributions*

Unitholders are entitled to concurrently receive non-cumulative distributions from the Fund (whether of net income, net realized capital gains or other amounts) when declared by the Fund. All units have equal rights and privileges except with respect to distributions of distributable cash for which ordinary units have priority. This priority will terminate on July 1, 2008 provided that during the immediately preceding 12 consecutive months the Fund has declared and paid aggregate distributions of at least \$0.825 per ordinary unit. Otherwise, the priority continues until the Fund has declared and paid aggregate distributions of at least \$0.825 per ordinary unit for 12 consecutive months.

### **Issuance of Trust Units**

Trust Units are to be issued in "book entry only" form and must be purchased or transferred through participants in the depository service of CDS ("**Participants**"), which include securities brokers and dealers, banks and trust companies. Trust Units are to be issued only as fully paid and are not to be subject to future calls or assessments, provided that Trust Units which are issued under any future offering may be issued for a consideration payable in installments and the Fund may take security over any such Trust Units so issued. The authority to determine the timing and terms of future offerings of Trust Units has been delegated by the Fund Trustee to ECT. Trust Units may be issued in satisfaction of any non-cash distribution by the Fund to Unitholders on a *pro rata* basis, provided, however, that a Unitholder is entitled to receive only Trust Units of the same class as the class in respect of which such distribution to him was declared.

Trust Units are transferable at any time and from time to time and will be effected only through records maintained by CDS or its nominee for such Ordinary Units.

### **Credit Facility**

In September 2007, the Fund increased its available credit under its existing three-year unsecured revolving credit facility from \$105.0 million to \$150.0 million under the same terms and conditions. On February 7, 2008, the maturity was extended an additional year to February 10, 2011. Amounts owing under the Fund Credit Facility are unconditionally guaranteed by each of ECT, LP and IP Holdings. The Fund Credit Facility is available for general business purposes, including: (i) working capital requirements of the Fund; (ii) the levelization of distribution payments; (iii) letters of credit; and (iv) future acquisitions. Loans under the Fund Credit Facility will bear interest at a floating rate based on Canadian bankers' acceptance rates plus an applicable margin to those rates.

The credit agreement relating to the Fund Credit Facility contains customary representations, warranties, covenants (including financial covenants and certain restrictions on incurring additional indebtedness) and conditions to funding.

### **Medium Term Notes**

On November 29, 2004, the Fund entered into a Trust Indenture (the "**MTN Indenture**") with Computershare Trust Company of Canada to facilitate the issuance by the Fund of debentures, notes or other evidences of indebtedness, including, without limitation, medium term notes. The MTN Indenture contains customary representations, warranties and covenants, including certain restrictions on incurring additional indebtedness and granting security. The registrar and transfer agent for the Medium Term Notes is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

On December 20, 2004, the Fund closed a public offering of medium term notes in the aggregate principal amount of \$190 million. The notes were issued in two series: \$100 million principal amount of 4.19% Series 1 notes due December 21, 2009; and \$90 million principal amount of 5.25% Series 2 notes due December 22, 2014. These notes are direct unsecured obligations of the Fund ranking equally with all other unsecured and unsubordinated indebtedness of the Fund. The Fund's obligations in respect of the medium term notes are guaranteed by ECT, LP and IP Holdings.

The Fund's obligations to pay the principal, premium (if any), interest and all other amounts payable by the Fund under the medium term notes will rank in priority to the payment of distributions on the Trust Units.

### **Investments**

Money or other property received by the Fund or the Fund Trustee, on behalf of the Fund, must be used for a purpose consistent with the Fund Trust Indenture and as outlined below.

#### **Acquisition and Investment Guidelines**

The Fund pursues an acquisition and investment strategy that targets energy infrastructure investments or other related assets with well-defined and long-term streams of cash flows. The ECT Trust Indenture requires ECT to employ the following guidelines in the review and evaluation of possible acquisitions and investments:

- (a) each asset will be acquired, or an investment therein will be made, only if the Fund believes that the acquisition or investment will result in an increase in Distributable Cash per Trust Unit;
- (b) the expected useful life of each asset will, with regular maintenance and upkeep, be long enough for an investment therein to conform with the Fund's objective of providing sustainable long-term distributions of Distributable Cash per Trust Unit;
- (c) the commercial, contractual or regulatory environment of the asset provides a high degree of definition and predictability to the cash flow generated by the asset to conform with the Fund's objective of providing stable distributions of Distributable Cash per Trust Unit; and
- (d) the acquisition of, or investment in, each asset will be reviewed and approved by the ECT Trustees (or, in the case of a transaction involving an ECT Trustee who is not an Independent ECT Trustee, the Manager or any of its affiliates, the Independent ECT Trustees).

#### **Acquisition Approval and Financings**

The ECT Trustees and, when applicable, Unitholders must approve any material acquisition or investment (including the financing of such acquisition or investment) that the Manager recommends for the Fund before such acquisition or investment may proceed. Where the acquisition involves a related party, such as Enbridge, the approval of the Independent ECT Trustees will be required. See "Fund Trustees, Audit Committee and Management" and "Conflicts of Interest and Restrictions on the Manager".

Future acquisitions or investments by the Fund may be financed through the issuance of Trust Units or securities exchangeable for Trust Units, by increasing the consolidated indebtedness of the Fund, from cash flows of the Fund, or by some combination thereof. Subject to the approval of the Independent ECT Trustees, acquisition or investment financing may be sourced from loans from or the issuance of additional ECT Preferred Units (or other securities) to Enbridge. Enbridge is not, however, obligated to provide such financing support.

### **Distributions**

See "Distributions — Distribution Policy of the Fund".

### **Payments of Distributions**

Payments of distributions on each Ordinary Unit issued in "book entry only" form are made by the Fund to CDS or its nominee, as the case may be, as the registered owner of Ordinary Units. The responsibility and liability of the Fund

in respect of the payment of distributions in respect of the Ordinary Units is limited to making payment of any income or capital in respect of those Ordinary Units to CDS or its nominee.

### **Repurchase of Trust Units**

The Fund is entitled, from time to time, to offer to purchase Trust Units for cancellation at a price per Trust Unit and on a basis determined by the Fund Trustee in its discretion, but in compliance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. The authority to determine the timing and terms of any such repurchase of Trust Units has been delegated by the Fund Trustee to ECT. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and, if not exempt, must be conducted in accordance with the applicable requirements thereof.

### **Redemption at the Option of Unitholders**

Trust units are redeemable at any time at the option of the holder. The redemption price is equal to the lesser of 90% of the weighted average market price of the units during a 10 day period occurring immediately prior to the redemption date and the closing market price on the redemption date. The total amount payable by the Fund in respect of redemptions in any calendar month shall not exceed \$0.1 million. To the extent that a unitholder is not entitled to receive cash upon the redemption of the ordinary or subordinated units, the redemption price shall be satisfied by way of the Fund distributing a pro-rata number of ECT notes or other assets held by the Fund. Any ECT notes distributed will be in the principal amount of \$100. No fractional ECT notes will be distributed. Where the number of ECT notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number.

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to dispose of their Trust Units. ECT Notes and other assets of the Fund which may be distributed *in specie* to Unitholders in connection with redemption will not be listed on any stock exchange and no market is expected to develop in such ECT Notes or in the other assets of the Fund. ECT Notes and other Fund assets so distributed are expected to be subject to resale restrictions under applicable securities laws and are not expected to be qualified investments for Plans.

### **Meetings of Unitholders**

The Fund Trust Indenture requires that annual meeting shall be held and that special meetings may be called from time to time. Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy. Quorum is achieved with the attendance of one or more persons present in person and being Unitholders or representing, by proxy, Unitholders who hold in the aggregate at least 5% of all votes. Should quorum not be achieved, the meeting will be re-convened within 14 days.

The Fund Trust Indenture contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

### **Limitation on Non-Resident Ownership**

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Fund Trust Indenture provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of the Ordinary Units. At such times as the Manager determines in its discretion, acting reasonably, it will direct the Fund Trustee or the transfer agent and registrar of the Ordinary Units to obtain declarations as to the jurisdictions in which beneficial owners of Ordinary Units are resident. If the transfer agent and registrar, or the Manager, becomes aware that the beneficial owners of at least 49% of the Ordinary Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar or Manager (as applicable) will advise the Fund Trustee and the Fund Trustee may, or upon receiving a direction from the Fund Trustee, the transfer agent and registrar may, make a public announcement thereof in such manner as directed by the Manager, and neither the Fund Trustee nor the transfer agent and registrar shall accept a subscription for Ordinary Units from or issue or register a transfer of Ordinary Units to a person unless the person provides a declaration that the person is not a non-resident of Canada. If, notwithstanding the foregoing, the Fund Trustee or transfer agent and registrar determines that 49% or more of the Ordinary Units are held by non-residents, the Fund Trustee may, or the transfer agent and registrar may upon receiving a direction from the Fund Trustee and suitable indemnity from the Fund, send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such manner as the Fund Trustee or transfer agent and registrar (as the case may be) may consider equitable and practicable, requiring such non-resident holders to sell their Ordinary Units or a specified portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold the specified number of Ordinary Units or provided the Fund Trustee with satisfactory evidence that they are

not non-residents within such period, the Fund Trustee may on behalf of such persons sell such Ordinary Units and, in the interim, shall suspend the voting and distribution rights attached to such Ordinary Units. Upon such sale, the affected holders shall cease to be holders of such Ordinary Units and their rights in respect of such Ordinary Units shall be limited to receiving the net proceeds of such sale and any distributions declared on such Ordinary Units but not yet paid in respect of a prior Record Date.

The Fund Trust Indenture provides that at no time may non-residents of Canada be the beneficial owners of Subordinated Units unless the Manager expressly consents thereto. In the event that any non-residents of Canada are permitted as holders of Subordinated Units, at no time may such non-residents be the beneficial owners of more than 49% of the Subordinated Units at any time outstanding, and such restriction shall be monitored and enforced in a similar manner to the monitoring and enforcement of the non-resident restrictions in respect to the Ordinary Units, discussed in the immediately preceding paragraph.

No U.S. Qualified Plan shall be permitted to be a beneficial owner of any Trust Units irrespective of whether such beneficial interest is acquired through a subscription for Trust Units or the transfer of Trust Units or otherwise, and any acquisition of such an interest, on the part of a U.S. Qualified Plan, shall be and be deemed to be null and void *ab initio*.

### **Term of the Fund**

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on May 22, 2003. The termination, liquidation or winding-up of the Fund may also be effected by passage of a Special Resolution authorizing the same.

### **Power of Attorney**

Upon becoming a holder of Trust Units of the Fund, each Unitholder, pursuant to the terms of the Fund Trust Indenture, grants to the Fund Trustee a power of attorney constituting the Fund Trustee, with full power of substitution, as the true and lawful attorney of such Unitholder to act on his behalf, with full power and authority to take all requisite action in connection with the following matters, including to execute, swear to, make, file or record, as and when required: (i) the Fund Trust Indenture and any other instrument required or desirable to qualify, continue and keep in good standing the Fund as a mutual fund trust in all jurisdictions that the Fund Trustee deems appropriate; (ii) any instrument, deed, agreement or document in connection with carrying on the affairs of the Fund; (iii) all conveyances, transfers and other documents required in connection with the dissolution, liquidation or termination of the Fund; (iv) any and all elections, determinations or designations whether jointly with third parties or otherwise, under the Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Fund or of a Unitholder's interest in the Fund; and (v) any instrument, certificate and other documents necessary or appropriate to reflect and give effect to any duly authorized amendment to the Fund Trust Indenture.

Each Unitholder is agreeing that the power of attorney is, to the extent permitted by applicable law, irrevocable and shall survive the death, mental incompetence, disability and any subsequent legal incapacity of the Unitholder and shall survive the assignment by the Unitholder of all or part of the Unitholder's interest in the Fund and will extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Unitholder. Each Unitholder agrees to be bound by any representations or actions made or taken by the Fund Trustee pursuant to the power of attorney and waive any and all defenses which may be available to contest, negate or disaffirm any actions taken by the Fund Trustee in good faith under the power of attorney. The power of attorney is subject to applicable law, and survives and continues not only in respect of the Fund Trustee but also in respect of any successor trustee.

### **Take-over Bids**

The Fund Trust Indenture contains provisions to the effect that if, within 120 days after the date of a take-over bid for the Trust Units (including, for the purposes of this paragraph, Trust Units issuable upon conversion, exercise or exchange of exchangeable securities, if applicable), the bid is accepted by the holders of not less than 90% of the Trust Units, other than Trust Units held by or on behalf of, or issuable to, the offeror or an affiliate or associate of the offeror, then the offeror is entitled to acquire the Trust Units held by persons who did not accept the take-over bid, with such acquisition to occur on the same terms on which the offeror acquired Trust Units from persons who accepted the take-over bid. The Fund Trust Indenture does not provide a mechanism for Unitholders who do not tender their Trust Units to a take-over bid to apply to a court to fix the fair value of their Trust Units.

## **Unitholder Rights Plan**

The Fund adopted a unitholder rights plan (the "**Rights Plan**") on June 30, 2003 (the "**Effective Date**"). On May 1, 2006, the Unitholders reconfirmed the Rights Plan with minor amendments, by Ordinary Resolution. The following is a summary of the principal terms of the Rights Plan for the Fund, which is qualified in its entirety by reference to the text of the Rights Plan.

### *Term*

The Rights Plan provides that to continue, it must be reconfirmed by a majority vote of Unitholders at every third annual meeting following the Effective Date. Where any such approval is not obtained, the Rights Plan will then cease to have effect. The Rights Plan was last reconfirmed at the May 1, 2006 meeting of Unitholders and will remain in effect until the 2009 meeting of Unitholders unless reconfirmed at that meeting for a further three-year period.

### *Issue of Rights*

On the Effective Date, one right (a "**Right**") was issued and attached to each Trust Unit outstanding and will attach to each Trust Unit subsequently issued.

### *Rights Exercise Privilege*

The Rights will separate from the Trust Units and will be exercisable eight trading days (the "**Separation Time**") after a person has acquired, or commenced a take-over bid to acquire, 20% or more of the Trust Units, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a "**Permitted Bid**") or an acquisition pursuant to a distribution by prospectus, private placement or securities exchange take-over bid of securities of the Fund that have not been previously distributed (a "**Treasury Issue**"). The acquisition by any person (an "**Acquiring Person**") of 20% of the Trust Units, other than by way of a Permitted Bid or Treasury Issue, is referred to as a "**Flip-in Event**". Other than in relation to Enbridge, there are no "grandfathering" provisions in the Rights Plan. See "Grandfathering Provisions". Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Eight trading days after the occurrence of the Flip-in Event, each Right (other than those held by an Acquiring Person) will permit the purchase of Trust Units with a market value of \$100 on payment of the exercise price of \$50 per right.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the Trust Units, reported earnings per Trust Unit on a fully-diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

### *Grandfathering Provisions*

Under the Rights Plan, Enbridge is a "Grandfathered Person" and, accordingly, may hold any number of Trust Units at any time without triggering the Rights Plan.

### *Lock-Up Agreements*

A bidder may enter into lock-up agreements (a "**Lock-Up Agreement**") with Unitholders (a "**Locked-Up Person**") whereby such Unitholders agree to tender their Trust Units to the take-over bid (the "**Subject Bid**") without a Flip-in Event (as referred to above) occurring. Any such agreement must permit the Locked-Up Person to withdraw their Trust Units from the lock-up to tender to another take-over bid or support another transaction that will provide greater value to the Locked-Up Person than the Subject Bid where the greater value offered exceeds by as much or more than a specified amount (the "**Specified Amount**") the value offered under the Subject Bid, provided the Specified Amount is not greater than 7% of the value offered under the Subject Bid. For purposes of clarity, a Lock-Up Agreement may contain a right of first refusal or require a period of delay (or other similar limitation) to give an offeror an opportunity to match a higher price in another transaction as long as the Locked-Up Person can accept another bid or tender to another transaction.

The Rights Plan also provides that any Lock-Up Agreement must be made available to the Fund, ECT and to the public, and that under a Lock-Up Agreement no "break up" fees, "top up" fees, penalties, expense reimbursement or other amounts that exceed in aggregate the greater of: (i) 2½ % of the value payable under the Subject Bid; and (ii) 50% of the amount by which the value received by a Locked-Up Person under another take-over bid or transaction exceeds what such Locked-Up Person would have received under the Subject Bid; can be payable by such Locked-Up Person if the Locked-Up Person fails to deposit or tender their Trust Units to the Subject Bid or withdraws such units previously tendered thereto in order to deposit such units to another take-over bid or support another transaction.

### *Certificates and Transferability*

Prior to the Separation Time, the Rights are evidenced by a legend imprinted on certificates for the Trust Units and are not transferable separately from the Trust Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates that will be transferable and traded separately from the Trust Units.

### *Permitted Bid Requirements*

The requirements for a Permitted Bid include the following:

- (i) the take-over bid must be made by way of a take-over bid circular;
- (ii) the take-over bid must be made to all Unitholders;
- (iii) the take-over bid must be outstanding for a minimum period of 60 days and Trust Units tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 60 day period and only if at such time more than 50% of the Trust Units held by Unitholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (the "**Independent Unitholders**"), have been tendered to the take-over bid and not withdrawn; and
- (iv) if more than 50% of the Trust Units held by Independent Unitholders are tendered to the take-over bid within the 60-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Trust Units for not less than 10 business days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

### *Waiver*

The ECT Trustees, acting in good faith, may, prior to the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an "**Exempt Acquisition**") where the take-over bid is made by a take-over bid circular to all holders of Trust Units of the Fund. Where the ECT Trustees exercise the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Fund made by a take-over bid circular to all holders of Trust Units prior to the expiry of any other bid for which the Rights Plan has been waived.

### *Redemption*

The ECT Trustees with the approval of a majority of the votes cast by Unitholders (or holders of Rights if the Separation Time has occurred) voting in person or by proxy at a meeting duly called for that purpose may redeem the Rights at a price of \$0.001 per Right. Rights will be deemed to have been redeemed by the ECT Trustees following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

### *Amendment*

The ECT Trustees may amend the Rights Plan with the approval of a majority of the votes cast by Unitholders (or the holders of Rights if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The ECT Trustees without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the Unitholders (or holders of Rights, as the case may be), may make amendments to the Rights Plan to maintain its validity due to changes in applicable legislation.

### *ECT Trustees*

The Rights Plan will not detract from or lessen the duty of the ECT Trustees to act honestly and in good faith with a view to the best interests of the Fund. The ECT Trustees, when a Permitted Bid is made, will continue to have the duty and power to take such actions and to make such recommendations to Unitholders as are considered appropriate.

### *Exemptions for Investment Advisors*

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the Trust Units are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

## DESCRIPTION OF ECT

The ECT Trust Indenture contains provisions substantially similar to those of the Fund Trust Indenture. The principal differences between the ECT Trust Indenture and the Fund Trust Indenture are those described below. The description below is a summary only and is qualified in its entirety by reference to the text of the ECT Trust Indenture and the Fund Trust Indenture.

### General

ECT is an unincorporated trust established pursuant to the ECT Trust Indenture and governed by the laws of the Province of Alberta. ECT's activities are restricted to the direct or indirect conduct at the business of, or activities pertaining directly or indirectly to, energy infrastructure, including the ownership, operation and lease of assets and property in connection with the business of, or activities pertaining directly or indirectly to, energy infrastructure and having direct or indirect investments and other direct or indirect rights or interests of whatever nature or kind in companies or other entities involved, directly or indirectly, in the business of energy infrastructure and engaging in all activities ancillary or incidental to the foregoing.

### Units of ECT

ECT has two classes of units, the ECT Units and the ECT Preferred Units. An unlimited number of each of the ECT Units and the ECT Preferred Units may be issued pursuant to the ECT Trust Indenture. At December 31, 2007, there were 77,739,034 ECT Units outstanding (all of which are owned by the Fund) and 38,023,750 ECT Preferred Units outstanding (all of which are owned by Enbridge). On February 15, 2008, the ECT Units were consolidated on a 0.4454004:1 basis, such that the resulting number of ECT Units thereafter was, and as at the date hereof is, 34,625,000 units. The ECT Units and the ECT Preferred Units are to be issued only as fully paid and are not to be subject to future calls or assessments.

Except in respect of meetings of holders of ECT Preferred Units, the holders of ECT Units are entitled to receive notice of and to attend all annual and special meetings of the ECT Unitholders and are entitled to one vote in respect of each ECT Unit held at all such meetings. Holders of ECT Preferred Units shall not be entitled to receive notice of or to attend any meeting of the ECT Unitholders or vote at any such meeting, except for meetings of the holders of ECT Preferred Units called: (i) to consider and, if deemed appropriate, approve by Special Resolution any proposed amendments to the rights, privileges, restrictions and conditions attaching to the ECT Preferred Units; and (ii) to consider and, if deemed appropriate, approve by Special Resolution any action, matter or thing which affects the holders of ECT Preferred Units in a manner which is different from the holders of the ECT Units. At such meetings referred to in (i) and (ii) above, each holder of ECT Preferred Units shall be entitled to one vote in respect of each ECT Preferred Unit held thereby.

The holders of the ECT Units and ECT Preferred Units shall be entitled to receive non-cumulative distributions if, as and when declared by the ECT Trustees in accordance with the provisions of the ECT Trust Indenture. See "Distributions".

In the event of the liquidation, dissolution or winding up of ECT or other distribution of assets of ECT among the ECT Unitholders for the purpose of winding up the affairs of ECT, the holders of the ECT Preferred Units shall be entitled to receive from the assets of ECT a sum equivalent to \$10.00 per ECT Preferred Unit held by them before any amount shall be paid, or any property of ECT shall be distributed, to holders of ECT Units. Thereafter, further distributions of the assets of ECT for the purpose of the liquidation, dissolution or winding up of its affairs shall be made solely to the holders of ECT Units.

The ECT Preferred Units mature on June 30, 2033 at which time ECT is obligated to redeem all of the then outstanding ECT Preferred Units for a price per unit equal to \$10.00. Both the ECT Units and the ECT Preferred Units may be purchased for cancellation by ECT through offers made to, and accepted by, holders of such units.

Except as set out immediately above, and as set forth below under "Redemption of ECT Units" and "Liquidity Rights of Holders of ECT Preferred Units", neither the ECT Units nor the ECT Preferred Units have any conversion, retraction, redemption, repurchase, pre-emptive or other similar rights.

### Fund Trustees/Governance

ECT shall have not fewer than five and not more than 15 trustees. The number of ECT Trustees shall be determined from time to time by resolution of the ECT Trustees. As at December 31, 2007, the number of trustees was fixed at eight. A majority of the ECT Trustees must be residents of Canada within the meaning of the Tax Act. The term of

office of each of the ECT Trustees will expire at each annual meeting of ECT Unitholders or (if an election or appointment of Trustees is held at such meeting or if such meeting does not occur) at the time at which his/her successor is elected or appointed, or earlier if an ECT Trustee otherwise resigns, dies, is removed or is disqualified pursuant to the terms of the ECT Trust Indenture.

During the term of the Management Agreement, the Manager is entitled to appoint a number of ECT Trustees which shall equal, in the case where the total number of ECT Trustees is an even number, one half of that total number less one and, in all other cases, one half of that total number rounded down to the nearest whole number, and to propose in the proxy-related materials sent to ECT Unitholders the nominees for election of the remaining ECT Trustees not appointed by the Manager, provided that such nominees have been approved by a majority of the Independent ECT Trustees then in office. The nominees for election as ECT Trustees who may be proposed by the Manager must be Independent ECT Trustees. Pursuant to the Management Agreement, certain actions may not be undertaken by the Manager without first obtaining the written approval of a majority of Independent ECT Trustees. While the Manager is entitled to propose the "unrelated" nominees for election as ECT Trustees in the circumstances described above, there is no requirement that the ECT Unitholders vote in favour of the nominees proposed by the Manager.

The ECT Trust Indenture provides that the ECT Trustees must act honestly and in good faith with a view to the best interests of ECT and the ECT Unitholders and, in connection therewith, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Delegation by the ECT Trustees to the Manager is deemed to satisfy the ECT Trustees' standard of care with respect to performance of the duties so delegated. See "Delegation by ECT Trustees". The ECT Trust Indenture provides that an ECT Trustee is entitled to indemnification from ECT in respect of the performance of his duties under the ECT Trust Indenture if (i) he acted honestly and in good faith with a view to the best interests of ECT and the ECT Unitholders; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing his conduct was lawful.

In addition to reimbursement by ECT of the out-of-pocket expenses incurred by each of the ECT Trustees, the Independent ECT Trustees are entitled to such reasonable remuneration as the ECT Trustees may determine.

#### **Audit Committee**

The ECT Trust Indenture provides that an audit committee of at least three ECT Trustees must be appointed, all of whom shall be Independent ECT Trustees. The members of the audit committee are as set out in the table on page 26 of this Annual Information Form.

#### **Powers of and Restrictions on ECT Trustees**

The ECT Trustees, subject only to the specified limitations set forth in the ECT Trust Indenture, have absolute and exclusive power, control and authority over the trust property and affairs of ECT to do all such acts and things as, in their sole judgment and discretion, is necessary, incidental to, or desirable for, carrying out the purposes for which ECT was created. The ECT Trust Indenture provides that the ECT Trustees may not, without the approval of ECT Unitholders by Ordinary Resolution:

- i.) take any action upon any matter which under applicable law (including policies of Canadian securities commissions) or applicable stock exchange rules would require the approval of ECT Unitholders by ordinary resolution (as defined or described in such laws, policies or rules) had ECT been a reporting issuer (or equivalent) in the jurisdictions in which the Fund is a reporting issuer (or equivalent) and had the ECT Units been listed for trading on the stock exchanges where the Ordinary Units are listed for trading; or
- ii.) subject to certain exceptions, appoint or change the auditors of ECT.

Furthermore, the ECT Trust Indenture states that the ECT Trustees may not, without the approval of the ECT Unitholders by Special Resolution:

- i.) take any action upon any matter which under applicable law (including policies of Canadian securities commissions) or applicable stock exchange rules would require the approval of ECT Unitholders by special resolution or super-majority (as defined or described in such laws, policies or rules) had ECT been a reporting issuer (or equivalent) in the jurisdictions in which the Fund is a reporting issuer (or equivalent) and had the ECT Units been listed for trading on the stock exchanges where the Ordinary Units are listed for trading;

- ii.) amend the ECT Trust Indenture except in certain limited circumstances similar to those under which the Fund Trust Indenture may be amended without consent of Unitholders;
- iii.) sell, lease or exchange all or substantially all of the property of ECT other than in the ordinary course of business; (iv) authorize the termination, liquidation or winding-up of ECT, other than at the end of the term of ECT; or
- iv.) except in limited circumstances, authorize the combination, merger or similar transaction between ECT and any other person that is not an affiliate or associate of ECT.

If a matter requires a vote of the ECT Unitholders and the Fund then holds ECT Units, a vote of the Unitholders on the matter must first be held in accordance with the provisions of the Fund Trust Indenture in order to vote the ECT Units held by the Fund, whereupon the Fund Trustee, when voting the ECT Units held by the Fund, is required to vote them in favour of, or in opposition to, the matter in equal proportion to the votes cast by the Unitholders in favour of, or in opposition to, the matter, as applicable.

The ECT Trust Indenture provides that a material change to the Management Agreement (including any increase in fees or other amounts payable by ECT thereunder) and the terms of any agreement entered into by ECT or its affiliates with an ECT Trustee who is not an Independent ECT Trustee, or with the Manager or any affiliate of the Manager, must be approved by a majority of the Independent ECT Trustees.

Certain matters that impact the holders of ECT Preferred Units must be approved by such holders by Special Resolution. See "Units of ECT".

### **Acquisitions and Investments**

Money or other property received by ECT or the Manager on behalf of ECT may be used for any purpose not inconsistent with the ECT Trust Indenture. All potential acquisitions and investments by ECT will be reviewed and evaluated in accordance with established guidelines. See "Description of the Fund Trust Indenture — Investments — Acquisition and Investment Guidelines".

### **Distributions**

ECT makes monthly cash distributions to holders of ECT Units and ECT Preferred Units, in each case where they are holders of record as of the close of business on the last business day of the month in respect of which the distribution is to be made. Such distributions are to be paid no later than the 15<sup>th</sup> day of the month following the record date. The monthly distribution to be declared payable on each ECT Preferred Unit shall be in an amount equal to the per unit distribution with respect to the Ordinary Units declared or which shall be declared payable for and in respect of that same month. The balance of the distributable cash of ECT for such month, after deducting the aggregate distribution declared payable on all ECT Preferred Units, shall be the aggregate amount of the distribution to be declared payable on the ECT Units for the month in question.

### **Meetings of Unitholders**

An annual meeting of ECT Unitholders shall be held at such time and place as the ECT Trustees shall prescribe for the purpose of electing the Independent ECT Trustees, appointing the auditors of ECT and transacting such other business as the ECT Trustees may determine or as may properly be brought before the meeting. The Fund Trustee shall be required to vote the Fund's ECT Units at any such meeting as directed by Unitholders as described under "Powers of and Restrictions on ECT Trustees". A resolution in writing, signed by ECT Unitholders holding a proportion of all of the outstanding votes entitled to be voted and which is equal to or greater than the proportion of votes required to be voted in favour of such resolution at a meeting called to approve that resolution, is valid as if passed at a meeting of ECT Unitholders which is duly called and convened.

### **Liquidity Rights of Holders of ECT Preferred Units**

The terms of the ECT Preferred Units provide that a holder of ECT Preferred Units has the right ("**Liquidity Right**"), exercisable at any time and from time to time, to request ECT to purchase, for cancellation, all or any portion of the ECT Preferred Units owned by such holder.

Upon delivery of a notice by a holder of ECT Preferred Units (the "**Liquidity Notice**") to ECT requesting ECT to purchase, for cancellation, all or a portion of such holder's ECT Preferred Units (the "**Subject Units**"), ECT is required to use its best efforts to secure the necessary funds to enable it to purchase such units. The repurchase of the Subject Units will occur on such date as is specified by the holder of the Subject Units (provided such date shall not be prior to the 60<sup>th</sup> day following receipt by ECT of the Liquidity Notice), unless ECT has been unable, after

utilizing best efforts to complete or cause the completion of a financing (whether debt or equity or a combination thereof, including warrants or any other securities whatsoever) on terms acceptable to the Independent ECT Trustees and the holder of the Subject Units, each acting reasonably, to secure the necessary funds to enable it to purchase the Subject Units.

It is anticipated that ECT may finance repurchases of ECT Preferred Units, pursuant to the exercise of this Liquidity Right, by issuing additional ECT Units or ECT Notes, or both, to the Fund (the purchase of which, by the Fund, may be financed through an offering of Trust Units or other securities of the Fund, by increasing the consolidated indebtedness of the Fund, from cash flows of ECT, or some combination thereof).

The amount which shall be paid by ECT for the purchase of each Subject Unit on the completion date for such purchase shall be: (i) in the event that all or a portion of the funds utilized by ECT for the purchase of the Subject Units are funded through an offering of Ordinary Units, the net offering price to the public at which an Ordinary Unit is sold pursuant to such offering; or (ii) in the event that none of the funds utilized by ECT for the purchase of the Subject Units are funded through an offering of Ordinary Units, an estimate of the net offering price per Ordinary Unit that would have been realized had an offering by the Fund of Ordinary Units been completed, based on the advice of investment bankers and the opinion of the Trustees acting reasonably. The reasonable costs directly attributable to an offering of Ordinary Units to finance a purchase of Subject Units will be borne by the holder of such Subject Units.

### **Redemption of ECT Units**

The ECT Units are redeemable at any time on demand by the holders thereof upon delivery to ECT of a duly completed and properly executed notice requiring ECT to redeem the ECT Units, in a form reasonably acceptable to the ECT Trustees, together with the certificates representing the ECT Units to be redeemed and written instructions as to the number of ECT Units to be redeemed. Upon tender of ECT Units by a holder thereof for redemption, the holder of the ECT Units tendered for redemption will no longer have any rights with respect to such ECT Units other than the right to receive the redemption price for such ECT Units (calculated in accordance with the ECT Trust Indenture) and the right to receive distributions in respect of such ECT Units as were declared payable to holders of record on a date prior to the date of tender for redemption.

ECT may also call for redemption, at any time, all or any part of the outstanding ECT Units registered in the name of holders thereof (other than those registered in the name of the Fund) at the same redemption price as described above for each ECT Unit called for redemption, calculated with reference to the date the ECT Trustees approved the redemption of ECT Units as opposed to the close of business on the date the ECT Units are tendered for redemption.

### **Conflicts**

The ECT Trust Indenture provides that if an ECT Trustee or an officer of ECT is: (i) a party to a contract or transaction or proposed contract or transaction with the Fund or ECT or any of their respective affiliates; or (ii) a trustee, director or officer of, or otherwise has a material interest in, any person or affiliate of any person who is a party to a contract or transaction or proposed contract or transaction with the Fund or ECT or any of their respective affiliates, then such individual must disclose in writing to the ECT Trustees or request to have entered in the minutes of a meeting of the ECT Trustees the nature and extent of his interest. An Independent ECT Trustee who is a party to or so interested in such a transaction or contract is precluded from voting on such a transaction or contract, except in certain specified circumstances. Where an ECT Trustee who is not an Independent ECT Trustee has disclosed an interest in a transaction or contract, the Independent ECT Trustees must make a determination (by majority vote) whether or not the nature of the Trustee's interest is such that the trustee ought to be prohibited from voting. The presence of an ECT Trustee at a meeting at which such trustee is prohibited from voting in respect to one or more matters shall nonetheless be counted towards any quorum requirement.

### **Delegation by ECT Trustees**

The ECT Trustees may grant or delegate to the Manager such authority and powers as the Independent ECT Trustees may, in their sole discretion, deem necessary or desirable to effect the actual administration of the duties of the ECT Trustees. The ECT Trustees have delegated to the Manager, pursuant to the terms of the Management Agreement, broad discretion to administer and manage the business and operations of ECT. See "Fund Trustees and Management". The ECT Trust Indenture provides that delegation to the Manager is deemed to satisfy the ECT Trustees' standard of care with respect to performance of the duties so delegated, and the ECT Trustees shall have no liability for any act or omission of the Manager or any subdelegates of the Manager.

## **ECT Notes**

The terms of the following described ECT Notes are set forth in the ECT Note Indenture.

ECT Notes are issuable in series under the ECT Note Indenture. ECT Series 2 Notes have been reserved by ECT to be issued exclusively to holders of ECT Units as full or partial payment of the redemption price of ECT Units, as the ECT Trustees may decide or, in certain circumstances, be obliged to issue. ECT Series 3 Notes have been reserved by ECT to be issued exclusively as full or partial payment of the redemption price of ECT Series 1 Notes, as the ECT Trustees may decide.

At December 31, 2007, the following Series 1 Notes were outstanding: (i) \$302.4 million principal amount payable on demand and non-interest bearing; (ii) \$96.0 million principal amount payable on December 21, 2009 and bearing interest at 4.29% per annum; (iii) \$8.3 million principal amount payable on December 22, 2014 and bearing interest at 5.35% per annum; and (iv) \$96.0 million principal amount payable on demand and bearing interest at 5.7443% per annum. ECT has lent \$57.2 million principal amount receivable on demand loans to LP bearing interest at 5.8443%. There are no ECT Series 2 Notes or ECT Series 3 Notes outstanding.

### *Interest and Maturity*

The ECT Series 1 Notes are either payable on demand or mature on a date determined at the time of issuance. The ECT Series 1 Notes may be either interest or non-interest bearing. With respect to interest-bearing ECT Series 1 Notes, the rate of interest and interest payment dates will be determined at the time of issuance.

### *Payment upon Maturity*

Except as otherwise provided under the ECT Note Indenture, on maturity (which, in the case of certain ECT Series 1 Notes, is the date of demand), ECT will repay the ECT Notes by paying to the trustee under the ECT Note Indenture the principal amount of the outstanding ECT Notes which have then matured, together with accrued and unpaid interest thereon.

### *Redemption*

The ECT Notes are and will be redeemable at the option of ECT prior to maturity. In the event ECT chooses to redeem some or all of the ECT Series 1 Notes, the ECT Trustees may, in their discretion, decide to issue ECT Series 3 Notes in full or partial payment of the redemption price for the ECT Series 1 Notes.

### *Subordination/Security*

Payment of the principal amount and interest on the ECT Notes will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness, which will be defined as all indebtedness, liabilities and obligations of ECT that, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or equally with the indebtedness evidenced by the ECT Notes. The ECT Note Indenture will provide that upon any distribution of the assets of ECT in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to ECT, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the ECT Notes are entitled to receive any payment.

The ECT Series 2 Notes and ECT Series 3 Notes rank equally with one another and rank prior to the ECT Series 1 Notes. The ECT Notes are and will remain unsecured debt obligations of ECT.

### *Default*

The ECT Note Indenture provides that any of the following shall constitute an event of default: (i) default in payment of the principal of the ECT Notes when the same becomes due and the continuation of such default for a period of 10 business days; (ii) default in payment of any interest due on any ECT Notes and continuation of such default for a period of 15 business days; (iii) default in the observance or performance of any other covenant or condition of the ECT Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the holder(s) of ECT Notes specifying such default and requiring ECT to rectify the same; (iv) if there occurs, with respect to any issue of indebtedness of ECT having an outstanding principal amount of \$10 million or more, an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its maturity and such indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration; and (v) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to ECT. The provisions governing an event of default under the ECT Note Indenture

and remedies available thereunder do not provide protection to the holders of ECT Notes which would be comparable to the provisions generally found in debt securities issued to the public.

## **CONFLICTS OF INTEREST AND FIDUCIARY DUTIES**

Certain conflicts of interest could arise as a result of the relationships among Enbridge, the Manager, the Fund, ECT, GP, LP and IP Holdings. Enbridge will, directly or indirectly through the Manager, GP and ESOSI make decisions and recommendations relating to LP's investments including the operations of Enbridge Saskatchewan. The senior officers of the Manager are also officers and employees of Enbridge and/or its subsidiaries. The Fund, ECT, the Manager, GP, LP, IP Holdings and Enbridge Saskatchewan do not have any employees and they are and will continue to be dependent upon Enbridge and its subsidiaries for management, administrative and operating services in connection with their respective investments, businesses and affairs. The directors and officers of Enbridge and the Manager have fiduciary duties to manage Enbridge and the Manager, respectively, including investments in subsidiaries, in a manner beneficial to Enbridge and the Manager, respectively. The duties of the directors and officers of the Manager and Enbridge to those entities may come into conflict with the duties of the Fund Trustee and the ECT Trustees.

In addition, should the interests of Enbridge come into material conflict with those of the Fund with respect to any matter or transaction, the Manager must give written notice to the Fund briefly setting forth the particulars of the conflict. ECT Trustees are responsible to take all actions and make all decisions relating to the matters giving rise to the conflict of interest. This responsibility is subject at all times to approval for certain specific material transactions involving the Manager or its affiliates by the ECT Trustees, as described above.

Enbridge is currently engaged in, and may become engaged in, businesses or activities that are, or may be, in competition or conflict with the business carried on by, the Fund. Additionally, Enbridge continues to retain an interest in Alliance USA. Neither Enbridge nor its affiliates and associates (excluding the Manager) are prohibited by the Management Agreement, the Administration Agreement or any other agreement with the Fund from competing with the Fund, or from acquiring, investing in, or providing administrative or managerial services to, a competitor of the Fund. Enbridge may not, however, become engaged in activities that when objectively viewed would constitute, or reasonably likely give rise to, a material adverse change in the financial affairs of the Fund unless the Fund declined to pursue such activities and they have been, undertaken by third parties.

There are, however, no provisions which prohibit or restrain Enbridge from continuing to carry on, be engaged in, or develop any business or activity which could be viewed as materially adverse to the financial affairs of the Fund provided that Enbridge was developing or engaged in such business as at June 23, 2003.

For more information regarding Enbridge's and its affiliates' relationships to the Fund and its affiliated entities, see "Enbridge Income Fund — Structure of the Fund", and "Fund Trustees and Management — The Manager".

## MARKET FOR SECURITIES

As of the date of this Annual Information Form, the Ordinary Units are traded on the Toronto Stock Exchange under the symbol ENF.UN. The following table sets forth the monthly price range and volume traded for the Ordinary Units for each month during the year ended December 31, 2007.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
January	13.07	10.42	11.36	832,609
February	12.00	11.10	11.70	787,283
March	12.00	11.18	11.37	695,956
April	12.75	11.22	12.60	545,621
May	12.68	11.50	11.72	591,190
June	11.84	11.14	11.35	554,396
July	12.14	10.81	11.15	501,042
August	11.32	9.90	10.49	530,080
September	10.59	9.63	9.81	774,584
October	11.26	9.20	10.98	1,845,075
November	11.15	9.40	10.28	840,076
December	10.71	9.79	10.25	1,128,697
Annual	13.07	9.20	10.25	9,626,609

## MATERIAL CONTRACTS

Set out below are agreements that may be considered material to the Fund, other than contracts entered into in the ordinary course of business:

1. the Fund Trust Indenture (see "Description of the Fund Trust Indenture");
2. the ECT Trust Indenture (see "Description of ECT");
3. the Fund Delegation Agreement (see "Description of the Fund — Delegation and Matters Pertaining to the Administrator");
4. the Management Agreement (see "Fund Trustees and Management — Agreements with the Manager");
5. the Administration Services Agreement (see "Fund Trustees and Management — Agreements with the Manager"); and
6. the LP Limited Partnership Agreement.
7. the MTN Indenture (see "Description of the Fund – Medium Term Notes");
8. the Rights Plan (see "Description of the Fund – Unitholder Rights Plan"); and
9. the Fund Credit Facility Agreement (see "Description of the Fund Trust Indenture – Credit Facility).

## REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Ordinary Units is CIBC Mellon at its principal offices in Calgary, Alberta and Toronto, Ontario.

## EXPERTS

The consolidated financial statements of the Fund as at and for the years ended December 31, 2007 and 2006 have been examined by PricewaterhouseCoopers LLP, Chartered Accountants, as detailed in their auditors'

report dated February 4, 2007. PricewaterhouseCoopers LLP is independent of the Fund in accordance with the auditor's rules of professional conduct in Canada.

## **ADDITIONAL INFORMATION**

Additional information, including trustees' and officers' remuneration and indebtedness, principal holders of the Fund's securities and the interest of insiders in material transactions, all as at December 31, 2007, is contained in the Fund's Information Circular dated March 3, 2008 to be furnished in connection with the Annual Meeting of Unitholders to be held on May 5, 2008 for the purpose of, among other things, the election of Independent ECT Trustees. Additional financial information is provided in the Fund's comparative financial statements and management's discussion and analysis for the year ended December 31, 2007.

Additional information relating to the Fund may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Alliance Canada**

Additional information about Alliance Canada can be found in its Financial Statements and MD&A which have been filed with Canadian Securities Regulatory Authorities and are available at [www.sedar.com](http://www.sedar.com). These documents are not incorporated by reference into this AIF.

### **Effective Date**

Unless otherwise specifically herein provided, the information contained in this Annual Information Form is stated effective as at December 31, 2007.

**APPENDIX A**

**ENBRIDGE COMMERCIAL TRUST**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

## 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 Trustees (the "Board") of Enbridge Commercial Trust ("ECT").

The purpose of the Committee shall be to directly oversee the work of the external auditors (the "Auditors") of Enbridge Income Fund (the "Fund") and ECT engaged for the purpose of preparing or issuing an auditor's report and performing other audit, review or attest services for the Fund and, if applicable, ECT.

### II. MEMBERSHIP

Following each annual meeting of unitholders of the Fund, the Board shall elect from its members, not less than three (3) Trustees 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 Fund, ECT, 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 Trustees. 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 Fund or the Enbridge Group. 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. The persons described in Appendix A hereto shall be considered to have a material relationship with the Fund and the Enbridge Group.

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 Fund and ECT. 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 Trustee of ECT. Each Member shall hold office until the close of the next annual meeting of Unitholders of the Fund or until the Member ceases to be a Trustee, 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 ECT, 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 members of management 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 ECT's senior management.

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 ECT 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 performance of its duties and responsibilities with respect to the Fund, ECT and the Fund's other 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 Fund, its subsidiary entities and its affiliates;
- ii) discuss with the officers of the Manager and ECT (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 the Fund Trust Indenture, the Fund Delegation Agreement and 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 Fund or its subsidiary entities by the Auditors (Note: This duty may be delegated to one or more Members, provided that any non-audit services pre-approved by such Member(s) are presented to the Committee at its first scheduled meeting following such pre-approval);
- 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 the Fund Trust Indenture, the Fund Delegation Agreement and all applicable legal and regulatory requirements:

- i) review the engagement terms and the audit plan with the Auditors and with ECT's management;
- ii) review with ECT's management 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 ECT's management that may be material to financial reporting;
- iii) review with ECT's management and, as deemed necessary, with the Auditors, significant financial reporting issues arising during the fiscal period, including the methods of resolution;
- iv) review any problems experienced by the Auditors in performing an audit, including any restrictions imposed by ECT's management or significant accounting issues on which there was a disagreement with ECT's management;
- v) annually or more frequently as deemed necessary, review with ECT's management, 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 Fund, and the manner in which these matters may be, or have been, disclosed in the financial statements;
- vi) 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;

- vii) review the post-audit or management letter containing the recommendations of the Auditors and the response of ECT's management, if any, including an evaluation of the adequacy and effectiveness of the internal controls of the Fund and ECT (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 Fund's financial statements);
- viii) review the interim unaudited financial statements, including a review of any significant variances between comparative reporting periods;
- ix) 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;
- x) annually or more frequently as deemed necessary, meet separately with ECT's management and the Auditors, and at least annually with the internal auditors, to review issues and matters of concern respecting audits and financial reporting processes;
- xi) 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 Fund and its subsidiary entities; and (b) the Committee at all times, as well as the Committee to the internal auditor;
- xii) review the annual report issued by the internal auditor including the response, if any, of ECT's management;
- xiii) review the appointment of the chief financial officer of the Manager;
- xiv) inquire into and determine the appropriate resolution of conflicts of interest in respect of audit matters between or among an officer, Trustee, Director, unitholder, the internal auditors, or the Auditors, which are properly directed to the Committee by the Chair of the Board, the Board, a Trustee, a unitholder, the internal auditors, the Auditors, or ECT's management;
- xv) assure that procedures are in place for the review of the Fund's disclosure of financial information extracted or derived from the Fund's financial statements;
- xvi) assure that procedures are in place for the receipt, retention and treatment of complaints received by the Fund or ECT regarding accounting, internal accounting controls or auditing matters;
- xvii) assure that procedures are in place for the confidential, anonymous

submission by employees of the Fund, ECT and the Manager of concerns regarding questionable accounting or auditing matters;

- xviii) review and approve the hiring policies of ECT or the Manager regarding partners, employees and former partners and employees of the present and former Auditors; and
- xix) as deemed necessary by the Committee, inquire into and examine matters relating to the financial affairs of the Fund, its subsidiary entities 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 the Fund Trust Indenture, the Fund Delegation Agreement and all applicable legal and regulatory requirements:

- (i) review the adequacy and effectiveness of the accounting and internal control policies of the ECT's management and procedures through inquiry and discussions with the external auditors, management, and the internal auditor;
- (ii) review with ECT's management the Fund, ECT and ECT management's administrative, operational and accounting internal controls, including controls and security of the computerized information systems, and evaluate whether the Fund, ECT and ECT management are 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 ECT management 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 ECT management;
- (vi) review at least annually with the internal auditor the Fund and ECT's internal control procedures.

**D. DUTIES AND RESPONSIBILITIES RELATED TO FINANCE.**

The Committee shall, as permitted by and in accordance with the Fund Trust Indenture, the Fund Delegation Agreement and 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 Fund (or of wholly-owned subsidiary entities) 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 the Fund Trust Indenture, the Fund Delegation Agreement and all applicable legal and regulatory requirements, review with the officers of the Manager on an annual basis:

- i) ECT's method of reviewing major financial risks inherent in ECT's businesses, facilities, and strategic directions, including ECT's financial risk management and evaluation process;
- ii) the strategies and practices applicable to ECT'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 the Fund Trust Indenture, the Fund Delegation Agreement and all applicable legal and regulatory requirements:

- i) review expense report summaries of the President 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 carmera* as a Committee, to discuss enhancing the effectiveness of the Committee, in reference to these Terms of Reference;
- iv) monitor non-resident ownership of the Fund's ordinary trust units;
- v) report to the Board after each Committee meeting, as required during the year, with respect to the Committee's activities and recommendations; and
- vi) address any other matter properly referred to the Committee by the Chair

of the Board, the Board, a Trustee, the internal auditors, the Auditors, or the officers of 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 COMMERCIAL TRUST			
DATE <sup>1</sup>	LOCATION	TIME <sup>2</sup>	PROPOSED AGENDA
January	Calgary	1:00 p.m.	<ul style="list-style-type: none"> <li>• Review Annual Financial Results</li> <li>• Recommend Annual Financial Statements, Management's Discussion and Analysis and News Release</li> <li>• Review Tax Status Report</li> <li>• Review Auditors Letter to Audit Committee</li> <li>• Recommend Appointment of Auditors</li> <li>• Review Management letter to Audit Committee</li> <li>• Internal Audit Report</li> <li>• Review Non-Resident Ownership</li> <li>• Review of next year's Audit Committee Meeting Schedule and Agenda</li> </ul>
February	Calgary	1:00 p.m.	<ul style="list-style-type: none"> <li>• Recommend Annual Information Form</li> <li>• Recommend Notice of Meeting, Information Circular and Proxy Form</li> </ul>
April/May	Calgary	1:00 p.m.	<ul style="list-style-type: none"> <li>• Review First Quarter Financial Results</li> <li>• Recommend Interim Financial Statements, Management's Discussion and Analysis and News Release</li> <li>• Insurance Report</li> <li>• Review President's Expense Report</li> <li>• Review/Update Terms of Reference for Audit Committee</li> </ul>

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.

2 Audit Committee meetings are scheduled to commence 90 minutes before the Board of Trustee meetings.

ANNUAL SCHEDULE FOR THE AUDIT COMMITTEE OF ENBRIDGE COMMERCIAL TRUST			
DATE <sup>1</sup>	LOCATION	TIME <sup>2</sup>	PROPOSED AGENDA
July	Calgary	1:00 p.m.	<ul style="list-style-type: none"> <li>• Review Second Quarter Financial Results</li> <li>• Recommend Interim Financial Statements, Management's Discussion and Analysis and News Release</li> <li>• Internal Audit Report:               <ul style="list-style-type: none"> <li>• Report for year ended June 30</li> <li>• Plan for next year</li> </ul> </li> <li>• Review External Auditors:               <ul style="list-style-type: none"> <li>• Engagement Letter</li> <li>• Audit Plan</li> </ul> </li> <li>• Recommend External Audit Fees and Review Engagements and Services other than as Unitholders' Auditor</li> <li>• Corporate Risk Assessment Report</li> <li>• Contingent Liability Report</li> <li>• Review Non-Resident Ownership</li> </ul>
October / November	Calgary	1:00 p.m.	<ul style="list-style-type: none"> <li>• Review Third Quarter Financial Results</li> <li>• Recommend Interim Financial Statements, Management's Discussion and Analysis and News Release</li> <li>• Recommend Annual Management Plan</li> <li>• Recommend Annual Financing Plan</li> </ul>

## APPENDIX A

The following individuals are considered to have a material relationship with the Fund 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.

Note: An issuer includes a subsidiary entity of the issuer and a parent of the issuer.

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.