

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons. See "Plan of Distribution".

Initial Public Offering

June 23, 2003



Enbridge Income Fund

\$175,000,000

17,500,000 Ordinary Units

This prospectus qualifies the distribution of 17,500,000 ordinary trust units (the "Ordinary Units") of Enbridge Income Fund (the "Fund"). The Fund is an unincorporated open-ended trust established under the laws of Alberta. Concurrently with the closing of the offering, Enbridge Inc. ("Enbridge") will subscribe for (i) 14,500,000 subordinated trust units (the "Subordinated Units") of the Fund at a price of \$10.00 per Subordinated Unit (representing a direct 45.3% interest in the Fund, or a 41.9% interest if the Over-Allotment Option, described below, is exercised in full) and (ii) 40,648,750 preferred units (the "ECT Preferred Units") of Enbridge Commercial Trust ("ECT") at a price of \$10.00 per ECT Preferred Unit, for an aggregate subscription price of approximately \$551.5 million. The Ordinary Units and the Subordinated Units are referred to herein collectively as "Trust Units".

The Fund has been created to acquire Enbridge's indirect 50% interest in the Alliance Canada Pipeline and Enbridge's 100% interest in Enbridge Pipelines (Saskatchewan) Inc. ("Enbridge Saskatchewan"). The Alliance Canada Pipeline is a 1,560 kilometre natural gas pipeline stretching from Gordondale, Alberta to its connection with the Alliance USA Pipeline at the Canada/US border near Carnduff, Saskatchewan. In addition, the Alliance Canada Pipeline includes the Alliance System's lateral pipelines which connect the mainline to 43 receipt locations, primarily at natural gas processing facilities in northwestern Alberta and northeastern British Columbia, and related infrastructure. Enbridge Saskatchewan owns and operates crude oil and liquids pipeline systems comprised of four principal assets: the Saskatchewan System; the Westspur System; the Weyburn System; and the Virden System. Collectively, these four crude oil and liquids pipeline systems comprise approximately 328 kilometres of trunk line and 1,995 kilometres of gathering system pipeline and related terminals and storage facilities.

The Fund will make monthly cash distributions to holders of Trust Units ("Unitholders"). The first such payment is expected to be paid on or about August 15, 2003 to Unitholders of record on July 31, 2003 in respect of the period from the closing of the offering to July 31, 2003. As results of operations may vary, the distribution of cash is not assured.

The terms of the offering were established through negotiation between Enbridge, Enbridge Management Services Inc. and the Fund, on the one hand, and BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. (collectively, the "Underwriters"), on the other hand. Enbridge is the promoter of the Fund. The Trust Units will not be obligations of, or interests in, Enbridge or any other person other than the Fund.

Investment in the Ordinary Units is subject to certain risks that should be considered by prospective purchasers. There is currently no market through which the Ordinary Units may be sold and purchasers may not be able to resell Ordinary Units purchased under this prospectus. The Toronto Stock Exchange has conditionally approved the listing of the Ordinary Units under the symbol "ENF.UN", subject to the Fund fulfilling all of the requirements of such exchange on or before September 9, 2003. See "Risk Factors". The Fund is not a trust company and is not registered under applicable legislation governing trust companies, as it does not carry on or intend to carry on the business of a trust company. The Ordinary Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. In connection with the offering, the Underwriters are permitted to engage in transactions that stabilize the market price of the Ordinary Units. See "Plan of Distribution".

Price: \$10.00 per Ordinary Unit

	Price to the Public	Underwriters' Fee	Net Proceeds to the Fund ⁽¹⁾
Per Ordinary Unit	\$10.00	\$0.525	\$9.475
Total offering ⁽²⁾	\$175,000,000	\$9,187,500	\$165,812,500

- Notes:
- (1) Before deduction of expenses of the offering payable by the Fund, estimated at \$2,100,000, which, together with the Underwriters' fee, will be paid by the Fund out of the proceeds of the offering.
 - (2) The Fund has granted an over-allotment option (the "Over-Allotment Option") to the Underwriters, exercisable in whole or in part within 30 days from the closing of the offering, to purchase up to 2,625,000 additional Ordinary Units on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the Underwriters' fee and net proceeds to the Fund (before expenses) will be \$10,565,625 and \$190,684,375, respectively. This prospectus also qualifies the distribution of the Over-Allotment Option and the issuance and distribution of the additional Ordinary Units issuable upon the exercise of the Over-Allotment Option.

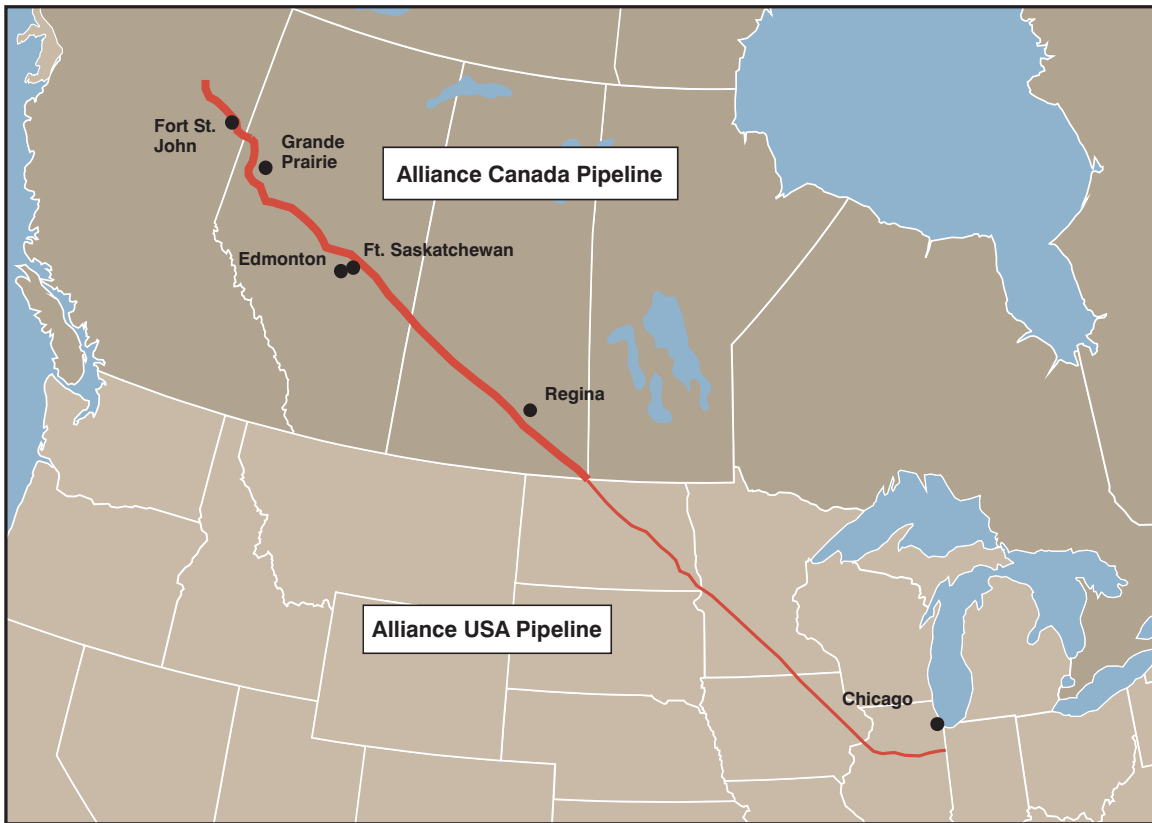
Subject to certain assumptions, limitations and restrictions, in the opinion of counsel, as of the date of this prospectus, on closing of the offering, the Ordinary Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans under the *Income Tax Act* (Canada) (the "Tax Act") and will not be "foreign property" within the meaning of the Tax Act. See "Eligibility for Investment" and "Canadian Federal Income Tax Considerations".

The Underwriters, as principals, conditionally offer the Ordinary Units, subject to prior sale, if, as and when issued and sold by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund and Enbridge by McCarthy Tétrault LLP and on behalf of the Underwriters by Fraser Milner Casgrain LLP.

Subscriptions for Ordinary Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book entry certificate representing the Ordinary Units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS. The closing of the offering is expected to occur on or about June 30, 2003, or such later date as the Fund, Enbridge and the Underwriters may agree, but in any event not later than August 11, 2003. Holders of Ordinary Units will not be entitled to receive physical certificates representing their ownership. See "Description of the Fund — Book Entry Only System".

Each of the Underwriters is an affiliate of a Canadian chartered bank which will be a lender to Enbridge Income Partners LP. **Consequently, the Fund may be considered to be a connected issuer of the Underwriters for the purposes of applicable Canadian securities laws in certain provinces. See "Plan of Distribution".**

Alliance System



Enbridge Saskatchewan Systems



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SUMMARY

The following summary is qualified by and should be read in conjunction with the more detailed information and financial data and statements appearing elsewhere in this prospectus. Reference is made to the “Glossary” for the meanings of certain defined terms.

Enbridge Income Fund

The Fund:

Enbridge Income Fund is an unincorporated open-ended trust established by the Fund Trust Indenture under the laws of Alberta. The Fund has been created to acquire at Closing the following interests from Enbridge and its subsidiaries:

- (i) a 49.5% limited partnership interest in Alliance Canada;
- (ii) an indirect 0.5% general partnership interest in Alliance Canada; and
- (iii) 100% of the common shares of Enbridge Saskatchewan.

See “Enbridge Income Fund” and “Acquisition of Canadian Pipeline Interests”.

Alliance Canada Pipeline:

The Alliance Canada Pipeline consists of approximately 1,560 kilometres of the Alliance System’s mainline beginning at Gordondale, Alberta and connecting to the Alliance USA Pipeline at the Canada/US border near Carnduff, Saskatchewan. In addition, the Alliance Canada Pipeline includes the Alliance System’s lateral pipelines which connect the mainline to 43 receipt locations, primarily at natural gas processing facilities in northwestern Alberta and northeastern British Columbia, and related infrastructure. See “The Alliance Canada Pipeline — Description of the Alliance Canada Pipeline”.

Alliance System:

The Alliance System consists of an approximately 3,000 kilometre integrated, high-pressure, natural gas mainline pipeline in Canada and the United States, a series of lateral pipelines located in Canada, 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 the northwestern Alberta and northeastern British Columbia portions of the western Canadian sedimentary basin to delivery points near Chicago, Illinois. The Alliance System connects in the Chicago area with two local natural gas distribution systems and five interstate natural gas pipelines, which provide shippers with access to markets in the midwestern and northeastern United States, eastern Canada and the Aux Sable Extraction Facility which extracts natural gas liquids from the natural gas transported by the Alliance System. The Fund will not own any interest in the Alliance USA Pipeline or the Aux Sable Extraction Facility. See “The Alliance Canada Pipeline”.

Enbridge Saskatchewan Systems:

The Enbridge Saskatchewan Systems comprise four principal crude oil and liquids pipeline assets: the Saskatchewan System; the Westspur System; the Weyburn System; and the Virden System. Collectively the Enbridge Saskatchewan Systems comprise approximately 328 kilometres of trunk line and 1,995 kilometres of gathering system pipeline and related terminals and storage facilities. See “The Enbridge Saskatchewan Systems — Description of the Enbridge Saskatchewan Systems”.

Enbridge Inc.:

Enbridge, the promoter of the Fund, is a leader in the transportation and distribution of energy. Enbridge’s common shares are publicly traded on the Toronto Stock Exchange and the New York Stock Exchange under the

trading symbol “ENB”. See “Enbridge Inc.” and “Promoter and Interest of Management and Others in Material Transactions”.

Concurrently with the closing of the offering, Enbridge will subscribe for (i) 14,500,000 Subordinated Units at a price of \$10.00 per Subordinated Unit (representing a direct 45.3% interest in the Fund, or a 41.9% interest if the Over-Allotment Option is exercised in full) and (ii) 40,648,750 ECT Preferred Units at a price of \$10.00 per ECT Preferred Unit, for an aggregate subscription price of approximately \$551.5 million. See “Description of the Fund — Units of the Fund”, “— Subordination”, “Description of ECT — Units of ECT” and “Use of Proceeds”.

The Manager:

Enbridge Management Services Inc. (the “Manager”), a wholly-owned subsidiary of Enbridge, will provide all of the management, administrative and operating services required by the Fund and its subsidiaries. Such services will be provided under the Services Agreements which will have initial 20-year terms and may be terminated only in limited circumstances. The Manager will be paid a fixed annual fee initially equal to \$0.1 million for providing management and administrative services, as well as an incentive fee. The incentive fee is equal to 25% of cash distributions above a base distribution level of \$0.825 per Trust Unit per year. The Manager will also be permitted to recover certain other costs incurred in carrying out its duties as Manager. See “Fund Trustees and Management — Services”, “— Fees” and “— Term and Termination”.

Fund’s Objectives and Business Strategy:

The Fund’s objectives are to provide a stable and sustainable flow of Distributable Cash and to increase, where prudent, distributions of Distributable Cash on a per Trust Unit basis.

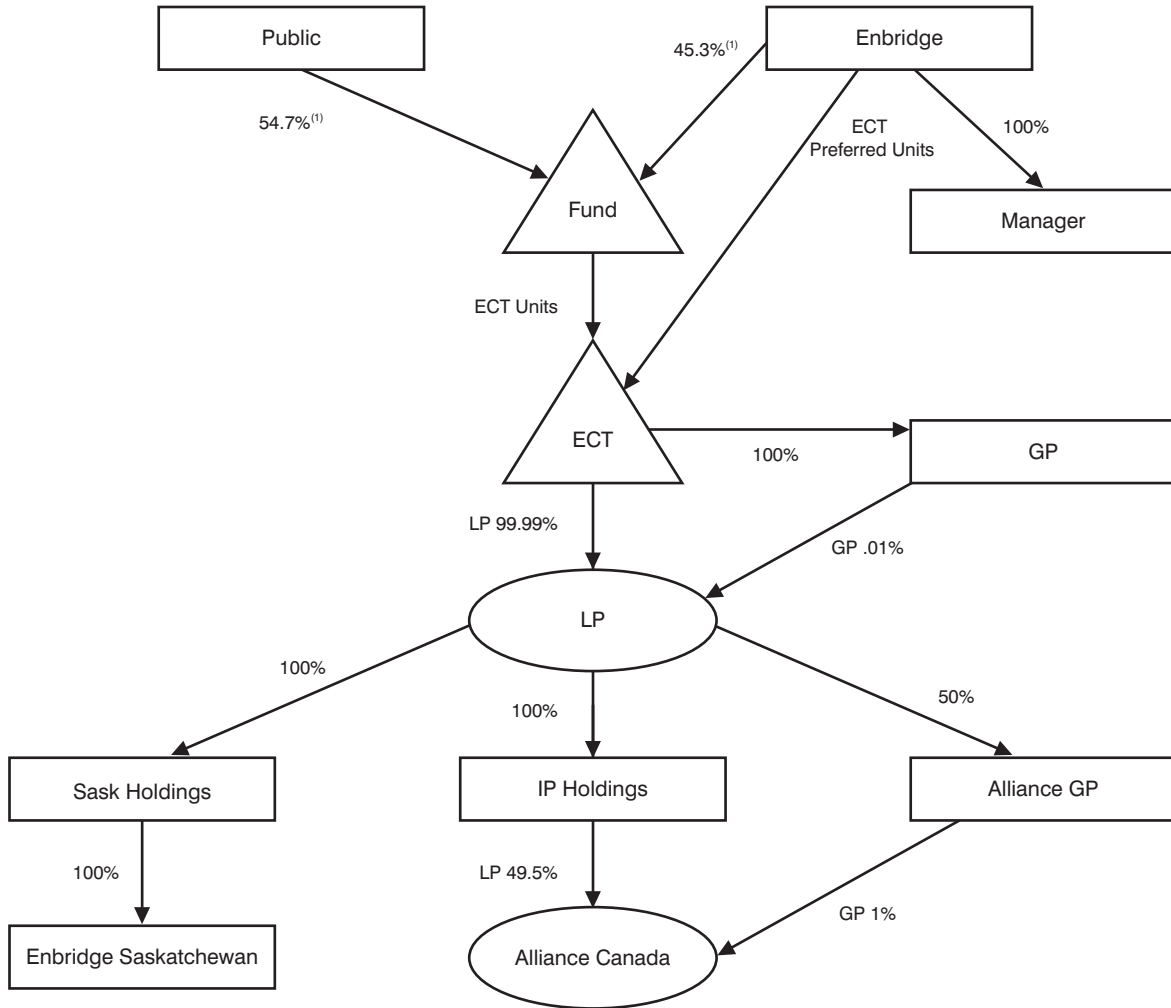
To achieve the Fund’s objectives, the Manager intends to focus its efforts on identifying acquisition and investment opportunities for the Fund in Canada. The Manager believes that Enbridge’s extensive experience and profile in the energy transportation business will provide the Fund with a competitive advantage with respect to identifying acquisition and investment opportunities for the Fund. See “Enbridge Inc.” and “Enbridge Income Fund — Objectives and Business Strategy”.

Opportunity to Purchase Enbridge Assets:

Enbridge intends to give the Fund the first opportunity to purchase any Canadian pipeline transportation infrastructure assets with well-defined and long-term streams of cash flows that Enbridge decides to either sell or monetize through a structure similar to the Fund, subject to pre-existing legal or financing restrictions. See “Enbridge Income Fund — Objectives and Business Strategy”.

Simplified Structure of the Fund

The following chart illustrates, on a simplified basis, the structural relationships among the Fund, its subsidiary entities, related parties and Enbridge upon Closing of the offering. For more detailed information, see “Enbridge Income Fund — Structure of the Fund”.



Note:

(1) If the Over-Allotment Option is exercised in full, the public will hold 58.1% and Enbridge will hold 41.9% of the Fund.

The Offering

Issuer:	Enbridge Income Fund
Offering:	17,500,000 Ordinary Units
Amount:	\$175,000,000
Price:	\$10.00 per Ordinary Unit
Over-Allotment Option:	The Fund has granted the Over-Allotment Option to the Underwriters, exercisable in whole or in part within 30 days from Closing, to purchase up to 2,625,000 additional Ordinary Units on the same terms as set forth in this prospectus to cover over-allotments, if any, and for market stabilization purposes. See “Plan of Distribution”.
Ordinary Units:	Each Ordinary Unit will represent an undivided beneficial interest in the distributions and net assets of the Fund. Each Ordinary Unit will be transferable and entitle the holder thereof to participate in distributions of the Fund (subject to subordination in respect of the Subordinated Units, all of which will be held by Enbridge). Ordinary Units will not be subject to future calls or assessments. Each Ordinary Unit will carry the right to one vote at all meetings of Unitholders. See “Description of the Fund — Units of the Fund”.
Subordinated Units:	<p>Enbridge will subscribe for 14,500,000 Subordinated Units. The rights attached to the Subordinated Units are the same in all respects as those rights attributable to the Ordinary Units, except with respect to the subordination, in certain circumstances, of the Subordinated Units in respect of distributions of the Fund. See “Description of the Fund — Units of the Fund”.</p> <p>Each Subordinated Unit is entitled to monthly cash distributions thereon 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 respect of a particular month is in an amount that would result in a distribution per Trust Unit, if declared, in an amount 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 the Distributable Cash shall then be declared payable, on a per unit basis, to holders of Subordinated Units. This distribution priority to which the holders of Ordinary Units are entitled (the “Distribution Priority”), shall terminate July 1, 2008 provided that during the period of the 12 consecutive calendar months which immediately precedes such date (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 shall continue in effect 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, at which time the Distribution Priority shall then terminate. See “Description of the Fund — Subordination”.</p>
ECT Preferred Units:	Enbridge will subscribe for 40,648,750 ECT Preferred Units. The number of ECT Preferred Units held by Enbridge will be reduced to the extent the Over-Allotment Option is exercised, such that Enbridge will hold 38,023,750 ECT Preferred Units if the Over-Allotment Option is exercised in full. 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 in certain specified circumstances. The monthly distribution for each

ECT Preferred Unit is equal to the monthly distribution per Ordinary Unit. 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 of \$10.00 per unit. ECT Preferred Units may also be repurchased earlier at the option of the holder in certain specified circumstances for a price per ECT Preferred Unit other than \$10.00. See “Description of ECT — Units of ECT” and “— Liquidity Rights of Holders of ECT Preferred Units”.

Use of Proceeds:

The net cash proceeds to the Fund from the sale of the Ordinary Units pursuant to this offering are estimated to be approximately \$163.7 million, after deducting the fees payable to the Underwriters and the estimated expenses of the offering (\$188.6 million if the Over-Allotment Option is exercised in full). The net cash proceeds of the offering, together with approximately \$551.5 million of proceeds from Enbridge’s subscription for Subordinated Units and ECT Preferred Units (\$526.6 million if the Over-Allotment Option is exercised in full) and approximately \$190.0 million to be drawn under the Credit Facility, will be used to acquire Enbridge’s interests in Alliance Canada and Enbridge Saskatchewan. If the Over-Allotment Option is exercised in full or in part, Enbridge will exercise its Liquidity Right (see “Description of ECT — Liquidity Rights of Holders of ECT Preferred Units”) for a number of ECT Preferred Units equal to the number of Over-Allotment Units issued. See “Use of Proceeds”.

Distribution Policy of the Fund:

The Fund’s cash distributions will be sourced from distributions made by Alliance Canada and Enbridge Saskatchewan.

The Fund’s policy will be to distribute approximately 95% of cash available for distributions on an annual basis. The remaining 5% of cash available for distributions will be used by the Fund to repay debt obligations of the Fund, for general purposes and to levelize distributions. Monthly distributions will be made to Unitholders of record as of the last business day of each month and are expected to be paid to Unitholders on or about the 15th day of the following month. The initial distribution of Distributable Cash is expected to be paid to Unitholders on or about August 15, 2003, for the period from Closing to July 31, 2003, which distribution is expected to be \$0.06875 per Trust Unit. Subsequent monthly distributions are expected to be \$0.06875 per Trust Unit. Distributions to holders of the Subordinated Units are subordinate until July 2008, subject to certain conditions. See “Description of the Fund — Distributions” and “— Subordination”.

The Manager anticipates that approximately 65% of the Distributable Cash during the first taxation year of the Fund will be included in the income of Unitholders for income tax purposes. The balance will not be taxable and will be deducted from the adjusted cost base of their Trust Units.

Distribution Policy of Alliance Canada:

Any decision by Alliance Canada to make a distribution will be 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. Alliance Canada Pipeline’s tolling structure is such that its cash available for distribution is expected to grow by modest amounts over the next five years absent the occurrence of any of the matters described in “Risk Factors”. The Fund, as a 50% owner of Alliance GP, will have the right to appoint 50% (currently three of six) of the directors to the board of Alliance GP. To date, Alliance Canada has made quarterly distributions of funds not required for capital expenditures or other partnership purposes. See “Description of Alliance Canada Business”.

Trustees and Governance:

CIBC Mellon Trust Company will be the trustee of the Fund, with the Manager providing administrative and operational services to the Fund pursuant to the Administration Agreement. The majority of ECT Trustees will at all times be Independent ECT Trustees. ECT will initially have seven individual trustees, four of whom will be Independent ECT Trustees. ECT will own all of the outstanding limited partnership interests in LP. The documents governing the operations of the Fund, ECT and LP and various agreements of the Fund, ECT and LP will contain mechanisms dealing with conflicts of interest with the Manager. See “Fund Trustees and Management”, “Description of the Fund”, “Description of ECT—Conflicts”, “Description of LP” and “Conflicts of Interest and Fiduciary Duties”.

Risk Factors:

Risk factors relating to the Alliance Canada Pipeline include: (i) exposure to Shippers; (ii) the terms of the transportation contracts; (iii) the ability to renew transportation contracts; (iv) dependence on WCSB reserves; (v) competition; (vi) limited operating history; (vii) cross-collateralization and cross-defaults among the debt obligations of Alliance Canada and Alliance USA, and certain bankruptcy and insolvency events involving Aux Sable Extraction LP; (viii) future changes in the distribution policy of Alliance Canada; (ix) pipeline operating risks; (x) regulation and legislation; (xi) dependence on interconnected systems and facilities; (xii) environmental costs and liabilities; (xiii) pipeline abandonment costs; (xiv) easement rights; and (xv) adequacy of insurance.

Risk factors relating to the Enbridge Saskatchewan Systems include: (i) crude oil supply and demand; (ii) arrangements with shippers and regulation; (iii) competition; (iv) pipeline operating risks; (v) changes to applicable legislation; (vi) environmental costs and liabilities; (vii) pipeline abandonment costs; (viii) easement rights; and (ix) adequacy of insurance.

Risk factors relating to the Fund and Trust Units include: (i) fluctuations and delays in distributions; (ii) the Kyoto Protocol; (iii) dependence on the Manager and ECT; (iv) potential conflicts of interests; (v) adequacy of capital resources; (vi) dilution of existing Unitholders; (vii) financial leverage; (viii) nature of Trust Units; (ix) Unitholder liability; (x) absence of prior public market; (xi) distribution of ECT Units or ECT Notes on redemption or termination of the Fund; (xii) continued investment eligibility and tax issues; and (xiii) deductibility of expenses for tax purposes. See “Risk Factors”.

Canadian Federal Income Tax Considerations:

Each holder of Ordinary Units resident in Canada will be required to include in computing income for tax purposes for a particular taxation year the portion of the net income of the Fund that is paid or payable in that year by the Fund to the holder of Ordinary Units and that is deducted by the Fund in computing its income. Generally, all other amounts received by a holder of Ordinary Units will not be included in such holder’s income for income tax purposes, but will reduce the adjusted cost base of such holder’s Ordinary Units.

Prospective purchasers should consult their tax advisors regarding the tax implications of an investment in Ordinary Units. See “Canadian Federal Income Tax Considerations”.

Stability Rating of Ordinary Units:

The Ordinary Units have been assigned a preliminary stability rating of STA-2(middle) by DBRS. See “Rating of Ordinary Units”.

Summary of Consolidated Financial Forecast

The following table presents selected forecast consolidated financial data of the Fund for the 12-month period ending June 30, 2004 and has been derived from the consolidated statements of forecasted loss and forecasted distributable cash of the Fund and the notes and assumptions thereto contained in this prospectus. See “Financial Forecast of the Fund”.

Some of the assumptions used in the preparation of the forecast, although considered reasonable by the Manager at the time of preparation, inevitably will not materialize as forecast and unanticipated events and circumstances will occur subsequent to the date of the forecast. Accordingly, actual results achieved for the forecast period will vary from the forecasted results and the variations may be material. There is no representation that the financial forecast will be realized in whole or in part. Important factors that could cause actual results to vary materially from the forecast are disclosed under “Risk Factors” and elsewhere in this prospectus.

The terms Distributable Cash and Distributable Cash per Trust Unit are not standard measures under Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other issuers. Refer to the “Glossary” for the definition of Distributable Cash. Refer to “Consolidated Statement of Forecasted Distributable Cash” in the financial forecast for a quantitative reconciliation of net income, calculated in accordance with Canadian generally accepted accounting principles, to Distributable Cash. Distributable Cash per Trust Unit means Distributable Cash divided by the sum of the number of Ordinary Units and Subordinated Units outstanding. Management believes that Distributable Cash and Distributable Cash per Trust Unit are useful supplemental measures that may assist investors in assessing the return on their investment in the Trust Units.

	Forecast for the 12-month period ending June 30, 2004
	(in \$ thousands except per Trust Unit amounts)
Transportation revenue	241,924
Expenses	
Operating and maintenance and management and administrative	55,366
Capital taxes	6,219
Depreciation and amortization	92,812
Operating income	<u>87,527</u>
Interest expense	(66,371)
ECT Preferred Unit distributions	(33,535)
Income taxes	<u>10,175</u>
Loss	(2,204)
Add/(Deduct):	
Depreciation and amortization and future income taxes	79,961
Alliance Canada distributable cash retained	(45,871)
Reserve account for major maintenance	(4,810)
Debt repayment and other reserves	<u>(676)</u>
Distributable Cash	<u>26,400</u>
Distributable Cash per Trust Unit	0.825

GLOSSARY

In this prospectus, 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.

“627149” means 627149 Saskatchewan Inc., a corporation incorporated under the laws of Saskatchewan which is a wholly-owned subsidiary of Enbridge and, prior to Closing, holds a 0.5% general partnership interest in Alliance Canada by virtue of its 50% interest in Alliance GP;

“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 to be entered into on or before Closing among the Manager, the Fund Trustee, the Fund and ECT pursuant to which the Manager will provide 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 USA;

“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 Purchase Agreement” means the agreement to be entered into on or before Closing among LP, 627149, IP Holdings and Enbridge pursuant to which (i) IP Holdings will acquire a 49.5% interest in Alliance Canada from Enbridge and (ii) LP will acquire a 50% interest in Alliance GP from 627149;

“Alliance System” consists of an approximately 3,000 kilometre integrated, high-pressure, natural gas mainline pipeline extending from Gordondale, Alberta to delivery points near Chicago, Illinois, a series of lateral pipelines located in supply areas in the northwestern Alberta and northeastern British Columbia portions of the WCSB, and related infrastructure;

“Alliance USA” means Alliance Pipeline L.P., a Delaware limited partnership which owns the Alliance USA Pipeline;

“Alliance USA 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;

“Aux Sable Extraction Facility” means the NGLs extraction facility located near the terminus of the Alliance System and owned by Aux Sable Extraction LP;

“Aux Sable Extraction LP” is a Delaware limited partnership which owns and operates the Aux Sable Extraction Facility and is directly and indirectly owned by Aux Sable Liquid Products LP, a Delaware limited partnership;

“bcfd” means billions of cubic feet per day;

“business day” means a day other than a Saturday, Sunday or a day on which the principal chartered banks located at Calgary, Alberta are not open for business;

“Canadian Pipeline Interests” means, collectively, (i) a 49.5% limited partnership interest in Alliance Canada; (ii) an indirect 0.5% general partnership interest in Alliance Canada; and (iii) 100% of the common shares of Enbridge Saskatchewan;

“CCRA” means the Canada Customs and Revenue Agency;

“CDS” means The Canadian Depository for Securities Limited;

“CIBC Mellon” means CIBC Mellon Trust Company;

“Closing” means the closing of the offering of Ordinary Units hereunder, which is expected to occur on or about June 30, 2003 but which may occur on such other date, not later than August 11, 2003, as may be agreed among the Manager, the Fund, Enbridge and the Underwriters;

“Common Agreement” means the amended and restated common agreement dated as of May 16, 2003 and which came into effect May 30, 2003, which amends and restates the common agreement dated as of April 30, 1998 among Alliance Canada, Alliance USA, The Bank of Nova Scotia, J.P. Morgan Chase Bank, J.P. Morgan Securities Inc., National Bank Financial, National Bank of Canada, National Bank of Canada (New York Branch), Deutsche Bank Securities Inc., Computershare Trust Company of Canada, The Bank of New York, BMO Trust Company, The Bank of Nova Scotia Trust Company of New York and Alliance’s lenders from time to time party thereto, as amended from time to time;

“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;

“Cost of Service” has the meaning attributed thereto under the heading “Description of Alliance Canada Business — Tolls and Tariff Structure”;

“Counsel” means, collectively, McCarthy Tétrault LLP, counsel to the Fund, and Fraser Milner Casgrain LLP, counsel to the Underwriters;

“Credit Facility” means a credit facility to be provided to LP by certain chartered banks in the principal amount of \$260.0 million with a 364-day initial period followed by a one-year term out period;

“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;

“Distribution Reinvestment Plan” means the distribution reinvestment plan adopted by the Fund at or before Closing;

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

“ECT Note Indenture” means the note indenture to be entered into on or before Closing between ECT and CIBC Mellon, as trustee, relating to the issuance of the ECT Notes;

“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 *pari passu* 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 *pari passu* 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 *pari passu* with the indebtedness evidenced by such notes;

“ECT Trust Indenture” means the trust indenture to be amended and restated on or before Closing pursuant to which ECT was established;

“ECT Trustees” means the individual trustee or 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;

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

“Enbridge Saskatchewan Purchase Agreement” means the agreement to be entered into on or before Closing between Sask Holdings and Enbridge pursuant to which Sask Holdings will acquire 100% of the common shares of Enbridge Saskatchewan;

“Enbridge Saskatchewan Systems” means the crude oil and liquids pipeline systems comprised of four principal assets: the Saskatchewan System; the Westspur System; the Weyburn System; and the Virden System which, collectively, comprise approximately 328 kilometres of trunk line and 1,995 kilometres of gathering system pipeline and related terminals and storage facilities;

“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 Delegation Agreement” means the fund delegation agreement to be entered into on or before Closing among the Fund, the Fund Trustee and ECT pursuant to which the Fund Trustee will delegate certain of its powers and duties to ECT;

“Fund Trust Indenture” means the trust indenture to be amended and restated on or before Closing pursuant to which the Fund was established;

“Fund Trustee” means the trustee of the Fund, which initially is CIBC Mellon;

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

“GP Services Agreement” means the services agreement to be entered into on or before Closing between the Manager and GP pursuant to which the Manager will provide management and administrative services to GP;

“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 “unrelated”, as such term is used in relation to the definition of “unrelated directors” in the Corporate Governance Guidelines in the Toronto Stock Exchange Company Manual, and currently means a trustee of ECT who is independent of the Manager and any of its affiliates and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the trustee’s ability to act with a view to the best interests of the beneficiaries of ECT, other than interests and relationships arising from his or her personal holding of an indirect interest in ECT through ownership of Ordinary Units;

“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; (iii) “BBB” from DBRS or (iv) “NAIC 2” from NAIC;

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

“IP Holdings Services Agreement” means the services agreement to be entered into on or before Closing between LP and IP Holdings pursuant to which LP will provide management and administrative services to IP Holdings;

“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 to be amended and restated on or before Closing 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;

“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 to be entered into on or before Closing between the Manager and ECT pursuant to which the Manager will provide management services to ECT;

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

“mmcf/d” means millions of cubic feet per day;

“Moody’s” means Moody’s Investor Service, Inc.;

“NAIC” means United States National Association of Insurance Commissioners;

“NEB” means the National Energy Board in Canada;

“NEB Act” means the *National Energy Board Act* (Canada), as amended;

“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;

“Ordinary Units” means the ordinary trust units of the Fund as described in “Description of the Fund — 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;

“Over-Allotment Option” means the option granted to the Underwriters, exercisable in whole or in part within 30 days from Closing, to purchase up to 2,625,000 additional Ordinary Units on the same terms as the Ordinary Units sold under this prospectus;

“Over-Allotment Units” means the Ordinary Units (if any) issued upon exercise of the Over-Allotment Option;

“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;

“Rate Base” means the Alliance Canada Pipeline regulatory rate base to be used to calculate its tolls and tariffs 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;

“Record Date” means, unless the Manager otherwise decides, the last business day of each month commencing July 31, 2003;

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.;

“Sask Holdings” means Enbridge Saskatchewan Holdings Inc., a corporation incorporated under the laws of Saskatchewan;

“Saskatchewan System” means the crude oil and liquids pipeline system that is owned and operated by Enbridge Saskatchewan;

“Services Agreements” means, collectively, the Administration Agreement, the Management Agreement and the GP Services Agreement;

“Shippers” means, collectively, the 32 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;

“Special Resolution” means a resolution passed by more than 66 $\frac{2}{3}$ % 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 $\frac{2}{3}$ % of the votes entitled to be voted on such resolution;

“Sponsors” means Enbridge and Fort Chicago Energy Partners L.P. and, on Closing, will include the Fund and exclude Enbridge;

“Subordinated Units” means the subordinated trust units of the Fund as described in “Description of the Fund — 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;

“Transportation Rates” means the tolls Shippers are obligated to pay to Alliance Canada for transportation services provided by the Alliance Canada Pipeline;

“Trust Units” means, collectively, the Ordinary Units and the Subordinated Units;

“Underwriters” means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. and **“Underwriter”** means any one of the Underwriters;

“Underwriting Agreement” means the underwriting agreement dated as of June 23, 2003 among the Fund, the Manager, Enbridge and the Underwriters;

“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;

“US” or **“U.S.”** means the United States of America;

“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 system that is owned and operated by Enbridge Pipelines (Virden) Inc., a corporation incorporated under the laws of Saskatchewan;

“Voting Exchangeable Securities” means, collectively, each of those Exchangeable Securities which, in accordance with the rights and attributes attaching or attributable thereto, provide, among other things, the holder of such Exchangeable Security the right to vote at all meetings of Unitholders;

“WCSB” means the western Canadian sedimentary basin;

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

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

ENBRIDGE INC.

Enbridge is a leader in the transportation and distribution of energy in North America and internationally. Enbridge conducts its business through four operating segments: Energy Transportation North, Energy Transportation South, Energy Distribution and International.

Enbridge, through its predecessor companies and subsidiaries, has been engaged in the transportation of crude oil and other liquid hydrocarbons at established tariffs through common carrier pipeline systems since 1949. Enbridge employs approximately 4,000 people, primarily in Canada, the United States and South America.

Enbridge Inc.'s common shares are publicly traded on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol "ENB".

Energy Transportation North

Energy Transportation North is comprised of Enbridge's liquids pipelines operations in Canada, its equity interests in natural gas transmission pipelines and an equity investment in AltaGas Services Inc., which is primarily involved in natural gas gathering and processing.

Enbridge's mainline pipeline, comprised of the Enbridge system and the Lakehead system (the portion of the mainline pipeline in the United States), is the world's longest crude oil pipeline system and is the primary transporter of crude oil from western Canada to the United States. It is the only pipeline that transports crude oil from western to eastern Canada and serves all of the major refining centres in the Province of Ontario, as well as the Midwest region of the United States.

Enbridge also owns the Enbridge Athabasca system and the Enbridge Norman Wells system. The Enbridge Athabasca system transports synthetic and heavy oils from northern Alberta to the pipeline hub at Hardisty, Alberta. The Enbridge Norman Wells system transports crude oil from Norman Wells, Northwest Territories to Zama, Alberta.

Natural gas transmission pipeline activities include investments in the Alliance System and Vector pipeline. Enbridge indirectly owns a 50% interest in Alliance Canada and an approximate 49% interest in Alliance USA, and provides operating services to, and holds a 45% investment in, Vector pipeline, which transports natural gas from Chicago, Illinois to Dawn, Ontario.

Energy Transportation South

Energy Transportation South includes Enbridge's effective 13% equity ownership interest in Enbridge Energy Partners, L.P. (the "Partnership"), a publicly traded, limited partnership which is listed on the New York Stock Exchange. The Partnership owns the Lakehead system, a feeder pipeline in North Dakota, natural gas gathering and processing assets in east Texas, and Enbridge Midcoast Energy. Enbridge Midcoast Energy gathers, processes, transports and markets natural gas and other petroleum products through more than 80 pipelines covering approximately 8,200 kilometres in 10 states and the Gulf of Mexico.

Energy Distribution

Energy Distribution includes the natural gas distribution operations of Enbridge Gas Distribution, Enbridge's investment in Noverco Inc., other natural gas distribution activities in smaller franchise areas, the natural gas service business and the provision of information technology and other services to affiliated companies and others.

Enbridge Gas Distribution is Canada's largest natural gas distribution company and has been in operation for more than 150 years. Enbridge Gas Distribution serves approximately 1.6 million customers in central and eastern Ontario, southwestern Québec and parts of northern New York State.

Noverco Inc. is a holding company that owns a 77% interest in Gaz Metropolitan, a natural gas distribution company operating in the Province of Québec and the state of Vermont, which has a 50% interest in TQM Pipeline, a pipeline transporting natural gas in Québec.

The natural gas services business manages Enbridge's merchant capacity on the Alliance System and Vector pipeline and natural gas supply for Enbridge Gas Distribution.

International

International includes investments in the Oleoducto Central South America crude oil pipeline, a crude oil pipeline in Colombia and the Compania Logistica de Hidrocarburos, S.A., a refined products pipeline in Spain, and operating services for the Oman natural gas system. Enbridge also provides technology and consulting services through Enbridge Technology Inc.

ENBRIDGE INCOME FUND

The Fund is an unincorporated open-ended trust established by the Fund Trust Indenture under the laws of Alberta. The Fund is a limited purpose trust and its activities are restricted to acquiring, investing in, holding, transferring, disposing of and otherwise dealing with debt or equity securities or limited partnership interests, as applicable, of ECT and other corporations, limited partnerships, trusts or other persons involved in the transportation of energy, having investments and other direct or indirect rights in persons involved in such businesses and engaging in all activities ancillary or incidental thereto. See "Description of the Fund".

The Fund has been created initially to own the Canadian Pipeline Interests and will not have any interest in the Alliance USA Pipeline or the Aux Sable Extraction Facility.

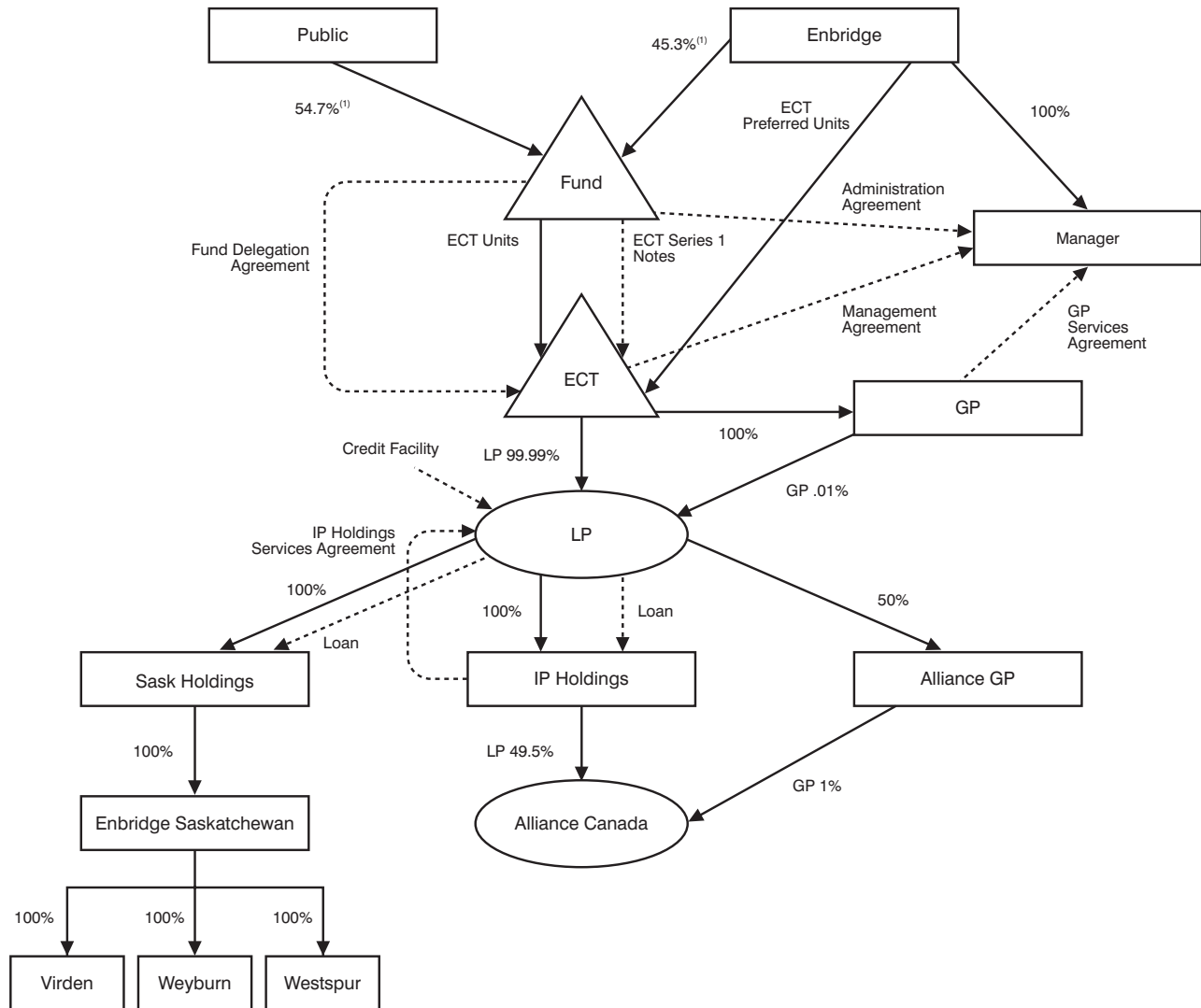
The Fund will make monthly distributions out of Distributable Cash to Unitholders of record on each Record Date, which distributions are expected to be paid on or about the 15th day of each month following the applicable Record Date. The first such distribution is expected to be made on or about August 15, 2003, for the period from Closing to July 31, 2003. Such distribution is expected to be \$0.06875 per Trust Unit. Subsequent monthly distributions are expected to be \$0.06875 per Trust Unit.

CIBC Mellon will be the initial Fund Trustee and will also act as registrar and transfer agent for the Trust Units.

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

Structure of the Fund

The following chart illustrates the structural and contractual relationships among the Fund, its subsidiary entities and related parties, and Enbridge upon Closing. For a full description of the various parties identified below, see “Description of ECT”, “Description of LP” and “Acquisition of Canadian Pipeline Interests”.



Note:

(1) If the Over-Allotment Option is exercised in full, the public will hold 58.1% and Enbridge will hold 41.9% of the Fund.

Objectives and Business Strategy

The Fund’s objectives are to provide a stable and sustainable flow of Distributable Cash and to increase, where prudent, the amount of distributions per Trust Unit. Alliance Canada Pipeline’s tolling structure is such that its cash available for distribution is expected to grow by modest amounts over the next five years absent the occurrence of any of the matters described in “Risk Factors”. In order to further achieve these growth and stability objectives, the Manager will pursue a business strategy for the Fund which will involve: (i) using its representation on the board of the Alliance GP and its operatorship of the Enbridge Saskatchewan Systems to maximize the efficiency and profitability of the Canadian Pipeline Interests; (ii) pursuing organic growth and expansion opportunities through the Canadian Pipeline Interests and any assets acquired in the future; (iii) acquiring pipeline transportation infrastructure investments or other related assets that meet the Fund’s

acquisition and investment guidelines; and (iv) acquiring pipeline transportation infrastructure investments or selected assets held by Enbridge that may be made available to the Fund and that meet the Fund's acquisition and investment guidelines. See “— Acquisition and Investment Guidelines”.

To achieve the Fund's objectives, the Manager intends to focus its efforts on identifying acquisition and investment opportunities for the Fund in Canada. The Manager believes that Enbridge's extensive experience and profile in the pipeline transportation business will provide the Fund with a competitive advantage with respect to identifying acquisition and investment opportunities for the Fund. In addition, Enbridge's experience in operating pipeline transportation infrastructure assets will provide the Fund with the ability to operate such assets. See “Enbridge Inc.”

Acquisition and Investment Guidelines

The Fund intends to pursue an acquisition and investment strategy that will target pipeline transportation infrastructure investments or other related assets with well-defined and long-term streams of cash flows. The ECT Trust Indenture will require 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).

Opportunity to Purchase Enbridge Assets

Enbridge intends to give the Fund the first opportunity to purchase any Canadian pipeline transportation infrastructure assets with well-defined and long-term streams of cash flows that Enbridge decides to either sell or monetize through a structure similar to the Fund, subject to pre-existing legal or financing restrictions.

Potential Conflict with Enbridge

Enbridge is currently engaged in, and may hereafter become engaged in further, activities that are in competition or conflict with the business carried on by, or the interests of, the Fund. Additionally, Enbridge will 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. Notwithstanding the foregoing, Enbridge may not become engaged in activities that are in competition or conflict with the business carried on by, or the interests of, the Fund if such activities, when objectively viewed (and acting reasonably) as at the time at which such activities are proposed to be engaged in, would constitute, 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”.

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,

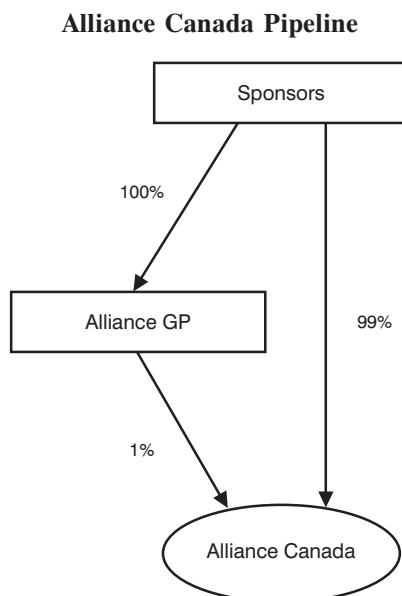
the approval of the Independent ECT Trustees will be required. See “Fund Trustees and Management” and “Conflicts of Interest and Fiduciary Duties”.

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.

THE ALLIANCE CANADA PIPELINE

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 GP is the general partner of Alliance Canada. The current ownership structure of Alliance Canada is set forth below:



Alliance GP and affiliates of each of the Sponsors are currently the partners of Alliance Canada in the percentages set forth below. The table below also indicates the pro forma interest held by the relevant entities as at Closing.

	<u>As at April 30, 2003</u>	<u>As at Closing</u>
Enbridge	49.5%	—
The Fund	—	49.5%
Fort Chicago Energy Partners L.P.	49.5%	49.5%
Alliance GP	1.0%	1.0%
Total	<u>100.0%</u>	<u>100.0%</u>

Alliance Canada is a reporting issuer in all of the provinces of Canada. As such, Alliance Canada is subject to the continuous disclosure requirements of applicable securities legislation.

Description of the Alliance Canada Pipeline

The Alliance Canada Pipeline is the Canadian portion of the larger Alliance System which is comprised of two principal assets: the Alliance Canada Pipeline and the Alliance USA Pipeline. The Alliance System consists

of an approximately 3,000 kilometre integrated, high-pressure, natural gas mainline pipeline, a series of lateral pipelines located in Canada, and related infrastructure.

For its part, the Alliance Canada Pipeline consists of 1,560 kilometres of the Alliance System’s mainline beginning at Gordondale, Alberta and connecting to the Alliance USA Pipeline at the Canada/US border near Carnduff, Saskatchewan. In addition, the Alliance Canada Pipeline includes the Alliance System’s lateral pipelines which connect the mainline to 43 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 the northwestern Alberta and northeastern British Columbia portions of the WCSB to delivery points near Chicago, Illinois. It connects with two local natural gas distribution systems and five interstate natural gas pipelines in the Chicago area which provides shippers with access to markets in the midwestern and northeastern United States, eastern Canada and access to the Aux Sable Extraction Facility which extracts NGLs from the natural gas transported by the Alliance System.

The Alliance System commenced commercial operations on December 1, 2000. In 2002, the Alliance System made available to Shippers 100% of its firm transportation capacity and approximately 11% of additional 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 more direct route from the natural gas supply areas of the WCSB to interconnections near Chicago, Illinois.

DESCRIPTION OF ALLIANCE CANADA BUSINESS

Shippers

All of the 1.325 bcf/d of firm transportation capacity on the Alliance Canada Pipeline has been contracted by the Shippers. 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 63% of the aggregate Contracted Capacity. Details concerning the shipping commitments and credit status of Shippers or their Guarantors as at April 30, 2003 are summarized below. The Shippers have similar commitments on the Alliance USA Pipeline.

<u>Shipper Category</u>	<u>Number of Shippers⁽¹⁾</u>	<u>Contracted Capacity</u> (mmcf/d)	<u>% of Firm Transportation Capacity</u>
Investment Grade Rating	20	910.0	68.7
Acceptable Credit Status	7	123.2	9.3
Security Required	6	291.8	22.0
Total	<u>32</u>	<u>1,325.0</u>	<u>100.0</u>

Note:

(1) 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.

Under the terms of each transportation contract, the Shipper (or its Guarantor) must comply with one of the following creditworthiness requirements: (i) have an Investment Grade Rating for its long-term senior unsecured debt; (ii) have Acceptable Credit Status; or (iii) provide a letter of credit equal to 12 months of demand charges or other acceptable security for certain of its obligations.

Approximately 69% of the Alliance Canada Pipeline’s aggregate Contracted Capacity has been contracted by Shippers which have, or whose guarantors have, an Investment Grade Rating. Approximately 9% of the Alliance Canada Pipeline’s aggregate Contracted Capacity has been contracted by other Shippers who do not have a published Investment Grade Rating, but have Acceptable Credit Status. The remaining approximately 22% has been contracted by Shippers who have been required to post letters of credit in an amount equal to

12 months of demand charges pursuant to the transportation contracts or to make other credit arrangements satisfactory to Alliance Canada. Reviews of the creditworthiness of Shippers are currently conducted by Alliance Canada at least quarterly.

Transportation Contracts

The Shippers have executed transportation contracts with each of Alliance Canada and Alliance USA, which have a 15-year primary term expiring in December 2015 and provide for all of the Alliance System's available firm transportation capacity. After its tenth anniversary date, each transportation contract 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 transportation contract.

Under the terms of the Alliance Canada transportation contracts, the Shippers became obligated to pay Transportation Rates effective December 1, 2000. For the 15-year primary term of the transportation contracts, and any one-year renewals thereof, the Shippers are obligated to pay to Alliance Canada demand charges to transport their Contracted Capacities of natural gas on the Alliance Canada Pipeline, whether or not such amount of natural gas is actually tendered for transportation by the Shippers. These payments are subject to limited obligations on the part of Alliance Canada to give a Shipper on the Alliance Canada Pipeline a credit for all or a portion of the demand charges paid by the Shipper to the extent Alliance Canada is unable, for any reason related solely to the capability of the Alliance Canada Pipeline to provide service, to transport all of the natural gas properly scheduled by the Shipper for transportation.

The obligations of the Shippers under the transportation contracts may not be assigned without the consent of Alliance Canada, which may not be unreasonably withheld, and in any event an assignee will be required to comply with these 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 El Paso 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 interconnect offtake capacity of these pipelines and local distribution systems in the Chicago area is approximately 5.4 bcf/d. The Alliance System also connects with the Aux Sable Extraction Facility. Recently, Alliance completed an interconnection in North Dakota with a pipeline owned and operated by Tri-State Ethanol Company L.L.C.

In addition, a number of third parties have announced, and are currently seeking or have obtained approvals of, proposals to construct or expand natural gas pipelines from the Chicago area to markets in the midwestern, northeastern and southeastern United States. While it is not certain that any of these pipelines will be constructed, these pipeline projects, if completed, will allow natural gas transported on the Alliance System to have greater access to markets in eastern North America.

Tolls and Tariff Structure

The tolls and tariff for the Alliance Canada Pipeline are regulated by the NEB. All Shippers have accepted toll principles negotiated with Alliance Canada and signed transportation contracts incorporating the same toll principles and tariff. Under applicable policies of the NEB, the negotiated toll principles and transportation contracts will generally be respected and given effect by the NEB, though the absolute level of tolls will be subject to change from time to time.

Alliance Canada is entitled to charge each Shipper a monthly amount for the Contracted Capacity reserved by such Shipper, which amount is calculated to permit Alliance Canada to recover from the Shippers, on an annual basis using an aggregate Contracted Capacity of 1.325 bcf/d, the following:

- (a) all operating and maintenance costs actually and reasonably incurred by Alliance Canada;
- (b) an allowance for costs of indebtedness calculated on the assumption that Alliance Canada's debt equals 70% of its Rate 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 return on equity (approximately 11.3% after tax) calculated on the assumption that Alliance Canada's equity equals 30% of its Rate Base, net of depreciation (regardless of what Alliance Canada's actual capital structure may be); and
- (e) an annual allowance for depreciation of the Rate Base based on a 25-year amortization period, but utilizing a negotiated schedule of annual depreciation percentages.

The aggregate of the costs listed above in items (a) to (e) are referred to as the "Cost of Service". Under the transportation contracts, Alliance Canada is entitled to recover its Cost of Service by collecting monthly charges from the Shippers. Each Shipper's charges are proportionate to the Shipper's Contracted Capacity.

Alliance Canada calculates the monthly rate 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 rate has been established, the rate 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 the actual Cost of Service in a particular year in a subsequent year's Cost of Service.

Each Shipper also bears its share of the Fuel Requirements of the Alliance Canada Pipeline based upon its volume of natural gas tendered for shipment. The Shippers bear this cost by effectively providing Fuel Requirements in kind 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.

Each Shipper has agreed not to contest various elements of Alliance Canada's negotiated rate in return for an agreement from Alliance Canada not to change those cost of service elements for the length of the primary term of the transportation contracts and any extensions thereof. As part of the negotiated rate option, Alliance Canada offered the Shippers a sharing mechanism whereby Alliance Canada accepted a portion of the risk of construction cost overruns through an adjustment to its return on equity. The resulting annual after-tax equity rate of return to the Sponsors is calculated to be approximately 11.3% in respect of Alliance Canada.

Technical Description of Alliance Canada Pipeline

The pipe used for the Alliance System was manufactured using low carbon, low alloy steel, with controlled rolling practices used to improve strength, ductility, weldability and resilience. All piping and appurtenances were externally coated to prevent corrosion. A cathodic protection system was installed to protect against corrosion for the operating life of the Alliance System. Long-term pipeline inspection will include periodic intelligent "pig" surveys to assess pipeline integrity.

Laterals and Gas Plant Connections

Alliance Canada owns and operates, as part of the Alliance Canada Pipeline, a series of lateral pipelines and related facilities connecting 43 receipt locations, primarily at natural gas processing facilities, in northwestern Alberta and northeastern British Columbia to the Alliance Canada Pipeline mainline. In total, approximately 730 kilometres of lateral pipelines were constructed by Alliance Canada, ranging in length from

approximately 0.2 to 137.6 kilometres 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 Duke Energy Corp. which provide Alliance Canada with access to a portion of the Duke pipeline system for specified volumes on both a firm and interruptible basis.

Compressor Stations

The Alliance Canada Pipeline facilities include 14 mainline compressor stations, containing 12 units rated at approximately 31,000 horse power each and four units rated at approximately 42,000 horse power each, spaced at approximately 192 kilometre intervals. The Alliance Canada Pipeline's facilities also include mainline block valves, spaced, on average, at 32 kilometre intervals, with operating and maintenance facilities and an associated supervisory control and data acquisition system.

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

Metering Stations

All natural gas receipt locations 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 were 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

A main control centre for the Alliance System is located in Calgary, 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.

Operations and Maintenance

The Alliance GP operates and maintains the Alliance Canada Pipeline. It employs the required personnel and maintains the requisite permits to ensure the efficient operation of the Alliance Canada Pipeline. Some of these personnel concurrently provide services to the Alliance USA Pipeline, and the associated costs are allocated accordingly. Alliance Canada has entered into a maintenance contract with Nuovo Pignone S.p.A., the manufacturer of the mainline compressors on the Alliance Canada Pipeline, to provide for repairs and preventative maintenance services.

Insurance

Alliance Canada maintains insurance that is generally consistent with prudent pipeline practice and applicable law for natural gas transmission systems of a similar size and nature. The insurance coverage obtained

with respect to the Alliance Canada Pipeline is subject to limits and exclusions or limitations on coverage. In the event there is a total or partial loss of the Alliance System, there can be no assurance that the insurance proceeds received by Alliance in respect thereof will be sufficient in any particular situation or sufficient to satisfy all indebtedness of Alliance. Further, the pipeline industry is subject to environmental regulations pursuant to federal, provincial, state and local laws of Canada and the United States. A breach of such laws may result in the imposition of fines or the issuance of clean-up orders, which may not be insurable. See “Risk Factors”.

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.

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, as part of its approval of the Alliance Canada Pipeline, the NEB imposed conditions upon Alliance Canada with respect to environmental matters. Alliance has established a compliance assurance program that helps ensure compliance with all such laws, regulations and conditions and other environmentally related concerns, including a corporate environmental policy and environmental management system.

Expansion Capability

The Alliance System has been designed to cost-effectively increase its firm transportation capability of 1.325 bcf/d by approximately 30% by adding compression facilities, including up to 14 new compressors. Larger expansions are possible through the construction of parallel pipelines and additional compressor facilities. A decision by Alliance Canada to proceed with any such expansion is not imminent and currently is not expected to be made until Alliance is satisfied that sufficient market demand exists, agreements have been reached with shippers regarding an expansion, and financing for an expansion has been arranged. The expansion would also require regulatory approval in both Canada and the United States. If such expansion were to proceed, the Fund expects its participation in such expansion would likely require additional equity capital to be raised by the Fund.

Competing Pipelines

A number of other natural gas pipelines currently provide, and potential future natural gas pipelines may provide, transportation services for natural gas produced from the WCSB to natural gas markets in the midwestern United States and Ontario. Such pipelines, existing and proposed, constitute current and potential competitors to the Alliance System. 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 capacity of approximately 3.8 bcf/d of natural gas.

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 also proposed to build new or expand existing natural gas pipelines that would deliver natural gas into the midwestern and eastern United States. Such pipelines may compete against the Alliance System in the future. In addition, 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 pipeline owned by Vector Pipeline L.P.

Employees

Alliance Canada has approximately 225 employees.

Debt Financing

Approximately 70% of the construction cost of the Alliance System is financed by a combination of bank loans and senior notes issued in the capital markets. As long as the credit facilities and senior notes remain outstanding, Alliance Canada's senior debt may not exceed approximately 70% of its Rate Base. Alliance Canada's senior notes are rated BBB+ by S&P, A(low) by DBRS and A3 by Moody's.

Scheduled repayments under the Alliance Canada credit facilities and senior notes follow an amortization schedule that approximates the recovery rate for depreciation contained in the transportation contracts. Principal repayments on the Alliance Canada senior notes and syndicated credit facilities are recoverable in the Alliance Canada Pipeline tariffs. Interest expense is recoverable in tolls to the extent the debt is equal to or less than 70% of the undepreciated Rate Base of the Alliance Canada Pipeline.

Cross-Collateralization

Due to the integrated nature of the Alliance System, the debt obligations of Alliance Canada and Alliance USA are cross-collateralized. Therefore, in the event of a default of such debt obligations, the assets of Alliance Canada may be used to satisfy the debts of Alliance USA and vice versa. In addition, Alliance Canada's credit facilities are cross-defaulted to the Alliance USA credit facilities and to the occurrence of certain bankruptcy or insolvency events that affect Aux Sable Extraction LP. Aux Sable Extraction LP has made commitments to Alliance USA to extract NGLs from the natural gas shipped on the Alliance System. In certain circumstances, if Aux Sable Extraction LP is in default of such commitments and such default is not remedied within the applicable cure period, then the default will be considered to be an event of default under the Alliance credit facilities. See "Risk Factors".

Credit Facilities

Alliance Canada and Alliance USA have entered into agreements dated May 16, 2003 with a syndicate of commercial banks establishing new credit facilities (the "Credit Facilities", consisting of the "U.S. Facilities" and the "Canadian Facilities"), in an aggregate amount of approximately \$678 million (US\$125 million U.S. Facilities for Alliance USA and \$490 million Canadian Facilities for Alliance Canada). These Credit Facilities were used:

- together with the net proceeds from the sale of the senior notes, to retire the previous credit facilities in full and the drawn portion of a US\$10 million revolving loan;
- to support the debt service reserve requirements of Alliance Canada and Alliance USA; and
- for general corporate purposes.

The Canadian Facilities consist of a \$375 million committed extendible revolving credit facility, and a \$115 million non-revolving term facility which will mature in full 364 days after the initial drawing on such facility.

The new debt structure provides Alliance with greater flexibility to finance capital expenditures and to more effectively manage its capital structure and financial resources.

Distribution Limitations

The Credit Facilities include a provision which prohibits distributions to partners if an event of default occurs under such credit facilities. 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 transportation contracts, which are in good standing, falls below 910 mmcf/d, 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 USA, which notes are cross-collateralized.

Distribution Policy of Alliance Canada

Any decision by Alliance Canada to make a distribution will be 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 grow by modest amounts over the next five years absent the occurrence of any of the matters described in "Risk Factors". The Fund, as a 50% owner of Alliance GP, will have the right to appoint 50% (currently three of six) of the directors to the board of Alliance GP.

Results of Operations — Alliance Canada

The following table sets forth certain financial information of Alliance Canada for the past three years and for the three-month periods ended March 31, 2003 and 2002:

	Three Months Ended March 31,		Year Ended December 31,		
	2003	2002	2002	2001	2000
	(unaudited)		(in \$ millions)		
Total revenues	99.0	94.1	387.1	393.7	121.2
Net income	24.7	25.3	99.1	102.3	90.4
Cash distributions to partners	30.1	32.2	118.6	111.5	—
Total assets	2,812.8	2,803.1	2,778.1	2,795.1	2,826.4
Long-term debt	1,809.8	1,847.3	1,785.4	1,855.1	1,883.0

Three Months ended March 31, 2003

A key feature of the Alliance System is Authorized Overrun Service. AOS represents pipeline capacity in excess of firm contracted capacity, and is offered to existing shippers on an interruptible basis for no additional cost other than the incremental compressor fuel needed to transport the AOS volumes. By offering consistent levels of AOS, Alliance Canada's overall effective per unit transportation costs for shippers is lowered. Actual transportation deliveries, including utilized AOS, averaged 1.662 bcf/d for the three months ended March 31, 2003 compared with average deliveries of 1.535 bcf/d for the comparable period in 2002.

Net income for the three months ended March 31, 2003 was \$24.7 million as compared with net income of \$25.3 million for the same period in 2002. Net income reflects a return on equity applied to Rate Base accounts. The rate used to calculate the equity return on Rate Base accounts for the three months ended March 31, 2003 was 11.3%, consistent with the rate applied for the comparative period in 2002.

Cash provided by operating activities of \$76.5 million for the three months ended March 31, 2003 was comparable to cash provided by operating activities of \$74.1 million for the three months ended March 31, 2002.

Alliance Canada made distributions to its partners in the aggregate amount of \$30.1 million during the three months ended March 31, 2003, as compared with \$32.2 million for the same period in 2002.

Additions to capital assets for the three months ended March 31, 2003 were \$12.8 million compared with additions to capital assets of \$5.8 million for the three months ended March 31, 2002. The increase in additions to capital assets for the three months ended March 31, 2003 compared to the three months ended March 31, 2002, reflects expenditures made to optimize utilization on the Kaybob lateral of the Alliance Canada Pipeline gathering system. The capital additions for the three months ended March 31, 2002 reflect a modest 2002 capital maintenance program.

Years ended December 31, 2000, 2001 and 2002

Net income for the year ended December 31, 2002 was \$99.1 million, compared with net income of \$102.3 million and \$90.4 million for the years ended December 31, 2001 and 2000, respectively. Net income reflects a return on equity applied to rate base accounts and an allowance for income, large corporations and provincial capital taxes on regulated activities. The rate used to calculate the equity return on rate base accounts for the year ended December 31, 2002 was 11.3%, consistent with the rate applied for 2001 and 2000. Although the rate is not expected to change, the absolute annual return realized on rate base will decline over time as the rate base is depreciated. Ongoing capital additions to the rate base will offset the rate of decline to some extent.

Cash provided by operating activities was \$208.7 million for the year ended December 31, 2002, compared to cash provided by operating activities of \$218.2 million for the year ended December 31, 2001 and cash used in operating activities of \$16.0 million for the year ended December 31, 2000. The decrease in cash flow from operations for the current year, compared to the prior year, relates mainly to timing differences for settlement of working capital items, including the net adjustment for the difference between estimated tolls invoiced and actual tolls recoverable from Shippers, and the decrease in the absolute annual return realized on rate base.

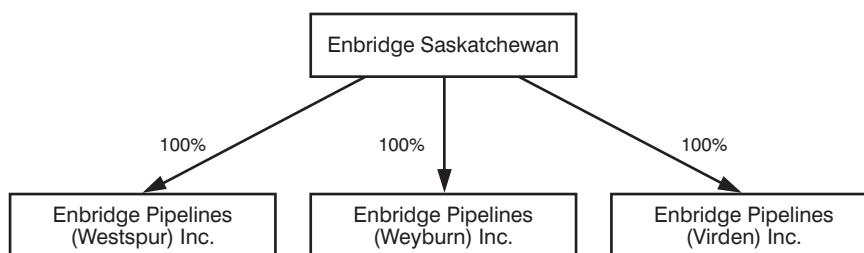
Alliance Canada made distributions to its partners in the aggregate amount of \$118.6 million for the year ended December 31, 2002, as compared with \$111.5 million and nil for the years ended December 31, 2001 and 2000, respectively.

Additions to capital assets for the year ended December 31, 2002 increased to \$42.0 million compared with additions to capital assets of \$34.7 million and \$945.3 million for the years ended December 31, 2001 and 2000, respectively. The increase in additions to capital assets compared to the prior year reflects expenditures made to optimize utilization on the Kaybob lateral of the Alliance Canada Pipeline gathering system. The capital additions for the year ended December 31, 2001 were primarily associated with right of way restoration, construction cleanup and a more modest 2001 capital maintenance program than the capital additions for 2000, which were associated with construction completion and commissioning activities.

THE ENBRIDGE SASKATCHEWAN SYSTEMS

Ownership Structure

Enbridge Saskatchewan owns and operates the Saskatchewan System and, through wholly-owned subsidiaries, also owns and operates the Westspur System, the Weyburn System and the Virden System. Enbridge Saskatchewan is a corporation incorporated under the laws of Saskatchewan on February 10, 1983.



Description of the Enbridge Saskatchewan Systems

Enbridge Saskatchewan owns and operates crude oil and liquids pipeline systems comprised of four principal assets: the Saskatchewan System; the Westspur System; the Weyburn System; and 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 328 kilometres of trunk line and 1,995 kilometres of crude oil and liquids gathering system pipeline and related terminals and storage facilities.

The Saskatchewan System was built in 1955 and acquired by Enbridge Saskatchewan on July 1, 1985. It is a gathering system located in southeastern Saskatchewan that transports crude oil from producing fields to the Westspur System. The Saskatchewan System consists of approximately 1,790 kilometres of gathering lines ranging in diameters from three inches to 10 inches. The Saskatchewan System has 22 storage tanks with a

combined capacity of 108,000 barrels. The capacity of the Saskatchewan System is approximately 190,000 barrels per day.

The Westspur System was built in 1955 and acquired by Enbridge Saskatchewan on July 1, 1985. 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 also transports crude oil and liquids 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. In addition, the Westspur System transports crude oil and liquids south to the United States' border for subsequent transportation to the Tesoro Mandan refinery in North Dakota. The Westspur System consists of approximately 328 kilometres of 12 and 16 inch line trunk line. The Westspur System has three pumping stations near Midale, Steelman and Alida, Saskatchewan with a total of 11 storage tanks with a combined capacity of 360,000 barrels. The capacity of the Westspur System is approximately 190,000 barrels per day.

The Weyburn System was built in 1957 and acquired by Enbridge Saskatchewan on May 1, 1992. This system is a gathering system located immediately to the west of the Saskatchewan System and the Westspur System and delivers crude oil from producing fields to the Westspur Midale pumping station. The Weyburn System consists of approximately 87 kilometres of gathering lines ranging in diameters from three inches to 12 inches and two storage tanks located at Weyburn with a combined capacity of 30,000 barrels. The capacity of the Weyburn System is approximately 35,000 barrels per day.

The Virden System was built in 1955 and acquired by Enbridge Saskatchewan on August 1, 1993. It is a gathering system located in southwestern Manitoba and delivers crude oil from producing fields to Cromer, Manitoba and from there the crude oil is delivered to eastern Canada and the United States via connecting pipeline systems. The Virden System consists of approximately 118 kilometres 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 truck terminal has seven storage tanks with a combined capacity of 7,000 barrels. The capacity of the Virden System is approximately 31,000 barrels per day.

DESCRIPTION OF ENBRIDGE SASKATCHEWAN BUSINESS

Crude Oil Shipments

The Enbridge Saskatchewan Systems transport 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 Enbridge Saskatchewan Systems also transport crude oil south to the United States via interconnections with systems owned by Enbridge Energy Partners, L.P. and Tesoro High Plains Pipeline Company at the U.S. border near Lignite, North Dakota. The following table sets forth certain crude oil delivery information of Enbridge Saskatchewan for the past seven years and for the three-month period ended March 31, 2003.

Average Deliveries by System⁽¹⁾

(thousands of barrels per day)	Three Months ended	Year ended December 31,						
	March 31, 2003	2002	2001	2000	1999	1998	1997	1996
Westspur	143.4	145.3	149.1	145.3	142.8	164.2	162.3	156.6
Saskatchewan	109.4	111.3	114.5	106.3	100.0	118.3	117.0	108.2
Weyburn	28.3	28.3	26.4	25.2	26.4	28.9	27.7	30.2
Virden	19.5	19.5	18.9	18.2	15.1	17.0	17.6	13.2

Note:

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

Enbridge Saskatchewan periodically undertakes a review of the crude oil reserve estimates for the oil fields and producing areas it serves to assist it in developing an estimate of future system deliveries. Based on Enbridge Saskatchewan's understanding of reserves in its service territory, historical delivery experience and knowledge of its service territory and customer base, Enbridge Saskatchewan believes that it will continue to maintain deliveries similar to current levels over Enbridge Saskatchewan's medium term planning period through 2007. Beyond this period, deliveries could experience modest annual declines subject to any new enhanced recovery technologies and success rates for new production discoveries.

Shippers

During 2002, 26 shippers tendered crude oil and other liquid hydrocarbons for delivery through the Enbridge Saskatchewan Systems. Revenue from Seminole Canada Energy Company, Plains Marketing Canada L.P. and Nexen Marketing L.P. accounted for approximately 21%, 19%, and 18%, respectively, of aggregate tariff revenue recorded in 2002. All other shippers accounted for less than 10% of such revenue. Enbridge Saskatchewan 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 System and the Westspur System are based on historical agreements with certain crude oil shippers which 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, interest expense, income tax and a return on rate base. When a shipper wishes to establish a new system connection, the shipper generally enters into a five- or 10-year contract with specific volume commitments. Outside of these new connection contracts, Enbridge Saskatchewan 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. Currently, approximately 5-10% of the throughput on the Saskatchewan System and the Westspur System is transported under volumetric contracts.

The Saskatchewan System and the Westspur System calculate a per barrel rate in advance based on the expected annual costs of service and system deliveries. Shippers are invoiced for transportation service upon receipt of crude oil into either the Saskatchewan 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 costs of service and between expected and actual throughput in a particular year in the subsequent year's costs of service.

The Weyburn System and the Virden System are also operated similar to a common carrier basis with five- or 10-year shipper contracts for volume commitments generally only required for new system connections. These systems utilize market based tolls in each of their respective gathering territories.

Pipeline Abandonment Costs

Enbridge Saskatchewan is responsible for compliance with all applicable laws and regulations regarding the abandonment of the Enbridge Saskatchewan Systems' pipeline assets at the end of their economic life, which abandonment costs may be substantial. The proceeds of the disposition of assets associated with the pipeline systems owned by Enbridge Saskatchewan would be available to offset abandonment costs. However, it is not possible to predict abandonment costs since they will be a function of regulatory requirements at the time and the value of Enbridge Saskatchewan's assets may then be more or less than abandonment costs. Enbridge Saskatchewan may, in the future, determine it prudent or be required by applicable laws or regulations to establish and fund one or more reclamation funds to provide for payment of future abandonment costs. See "Risk Factors".

Insurance

Enbridge Saskatchewan currently maintains insurance of the types and amounts that is generally consistent with prudent pipeline industry practices. The insurance coverage obtained with respect to the Enbridge

Saskatchewan Systems is subject to limits and exclusions or limitations on coverage. In the event there is a total or partial loss of the Enbridge Saskatchewan Systems, there can be no assurance that the insurance proceeds received by Enbridge Saskatchewan in respect thereof will be sufficient in any particular situation to compensate for losses or sufficient to satisfy all indebtedness or other obligations of Enbridge Saskatchewan. Further, this pipeline operation is subject to environmental regulations pursuant to federal, provincial and local laws of Canada. A breach of such laws may result in the imposition of fines or the issuance of clean-up orders, which may not be insurable. See “Risk Factors”.

Safety and Environment

Enbridge Saskatchewan proactively addresses safety and environmental issues by ensuring it has appropriate mechanisms in place to monitor and address the safety and environmental aspects of its operation. Enbridge Saskatchewan uses safety and environmental management systems and has established policies, programs and practices for conducting safe and environmentally sound operations. The 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 Enbridge Saskatchewan’s pipeline operations and in the communities in which it operates.

Enbridge Saskatchewan seeks to ensure compliance with all applicable regulatory and permit requirements. Enbridge Saskatchewan 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 Enbridge Saskatchewan 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. Enbridge Saskatchewan 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 Enbridge Saskatchewan 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 audits are conducted to assess compliance with legislation and company policy. To the best of Enbridge Saskatchewan’s knowledge, its pipeline operations are in 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 Enbridge Saskatchewan Systems and apply preventative maintenance programs. Enbridge Saskatchewan regularly inspects its systems for corrosion and pipe deformities, such as dents and cracks. 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”.

Expansion Capability

Since the Enbridge Saskatchewan Systems service mature oil fields, a significant expansion of the Enbridge Saskatchewan Systems is not anticipated. Enbridge Saskatchewan anticipates making minor capital investments to tie-in new wells and maintain system integrity and efficiency. See “Risk Factors”.

Competition

The Enbridge Saskatchewan Systems face competition in pipeline transportation from other pipelines as well as other forms of transportation, most notably trucking. Examples of competing pipelines within Enbridge Saskatchewan's geographic span 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 Enbridge Saskatchewan Systems, there are inherent advantages for shippers to utilize the Enbridge Saskatchewan Systems for certain production, and this has allowed Enbridge Saskatchewan to maintain relatively stable throughput levels. See "— Crude Oil Shipments" and "Risk Factors".

Results of Operations — Enbridge Saskatchewan Systems

The following table sets forth certain financial information of the Enbridge Saskatchewan Systems for the past three fiscal years and for the three-month periods ended March 31, 2003 and 2002. The financial results of the Enbridge Saskatchewan Systems are limited to the assets and liabilities specifically identifiable to the Enbridge Saskatchewan Systems and the related revenue and expenses.

(in \$ millions)	Three Months Ended March 31,		Year Ended December 31,		
	2003	2002	2002	2001	2000
	(unaudited)				
Total revenues	9.9	9.9	40.4	41.2	41.4
Earnings	3.5	3.7	14.3	14.6	15.9
Cash from operations	4.4	1.1	22.1	25.9	23.0

Three Months ended March 31, 2003

Earnings for the three months ended March 31, 2003 were consistent with the earnings for the comparative period of 2002 as throughput on the Enbridge Saskatchewan Systems and revenue are comparable for both periods.

Cash from operations has been sufficient to satisfy liquidity requirements which have been limited to capital maintenance expenditures. The increased cash from operations reflects timing differences for settlement of operating assets and liabilities.

Years ended December 31, 2000, 2001 and 2002

Earnings for the year ended December 31, 2002 were consistent with the earnings for the year ended December 31, 2001 as throughput and revenue were also comparable for both periods.

Cash from operations has been sufficient to satisfy liquidity requirements which have been limited to capital maintenance expenditures. The lower cash from operations in 2002 reflects timing differences for settlement of operating assets and liabilities.

Earnings for the year ended December 31, 2001 were \$1.3 million lower than the prior year comparable period. While revenue and throughput have remained consistent, operating costs were higher in 2001 by \$0.7 million primarily due to increased depreciation expense. The higher depreciation is the result of a comprehensive inspection and repair program initiated in 2000 that increased the depreciable base of property, plant and equipment. Investment and other income in 2001 was also \$0.4 million lower than the prior year.

Cash from operations has been sufficient to satisfy liquidity requirements which have been limited to capital maintenance expenditures. The higher cash from operations in 2001 reflects timing differences for settlement of operating assets and liabilities. Additions to property, plant and equipment in 2001 were significantly lower than the prior year as a comprehensive inspection and repair program was completed in 2000.

ACQUISITION OF CANADIAN PIPELINE INTERESTS

The Fund has been created to acquire the following interests in the Alliance Canada Pipeline and Enbridge Saskatchewan from Enbridge and its subsidiaries:

- (a) a 49.5% limited partnership interest in Alliance Canada;
- (b) an indirect 0.5% general partnership interest in Alliance Canada; and
- (c) 100% of the common shares of Enbridge Saskatchewan.

The Fund will not own any interest in the Alliance USA Pipeline or the Aux Sable Extraction Facility.

Alliance Purchase Agreement

Pursuant to the Alliance Purchase Agreement, (i) IP Holdings will acquire from Enbridge immediately following Closing Enbridge's 49.5% limited partnership interest in Alliance Canada for aggregate consideration of approximately \$719.3 million in cash, subject to applicable purchase price adjustments; and (ii) LP will acquire from 627149 immediately following Closing 50% of the outstanding shares of Alliance GP for aggregate consideration of approximately \$7.3 million, subject to applicable purchase price adjustments. Alliance GP owns a 1.0% partnership interest as general partner in Alliance Canada. Under the Alliance Purchase Agreement, Enbridge and 627149 will each provide IP Holdings and LP with representations, warranties, covenants, conditions, indemnities and other provisions which are customary for transactions of this nature between arm's length parties.

627149 is currently entitled to appoint 50% (currently three of six) of the directors to the board of Alliance GP based on the number of shares it owns in Alliance GP. After the acquisition by LP of the shares held in Alliance GP by 627149, the right to appoint these three directors of Alliance GP will be held by LP, and will be exercised by the Manager pursuant to the terms of the GP Services Agreement.

Enbridge Saskatchewan Purchase Agreement

Pursuant to the terms of the Enbridge Saskatchewan Purchase Agreement, Sask Holdings will acquire from Enbridge immediately following Closing 100% of the outstanding shares of Enbridge Saskatchewan for aggregate consideration of approximately \$178.4 million, subject to applicable purchase price adjustments. Under the terms of the Enbridge Saskatchewan Purchase Agreement, Enbridge will provide Sask Holdings with representations, warranties, covenants, conditions, indemnities and other provisions which are customary for transactions of this nature between arm's length parties.

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 rate 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 issue Certificates of Public Convenience and Necessity granting leave to construct natural gas pipelines. The NEB issued a Certificate of Public Convenience and Necessity in connection with the Alliance Canada Pipeline on December 3, 1998.

The NEB has jurisdiction to regulate the tolls that a pipeline may charge for the services it provides, 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, including the initially applicable rates. See “Description of Alliance Canada Business — Tolls and Tariff Structure”.

“Leave to open” the Alliance Canada Pipeline or any section thereof was obtained from the NEB prior to its operation. The statutory purpose of the “leave to open” requirement is to ensure that the pipeline segment in question has been satisfactorily tested and is safe for operation.

Enbridge Saskatchewan Systems

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 Enbridge Saskatchewan 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 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 Westspur System tolls are subject to regulation by the NEB on a complaint basis. In addition to tolls, the NEB also exercises regulatory authority over various other matters in connection with the Westspur System including approvals for any new construction, modification, operation, abandonment and underlying accounting practises.

The Saskatchewan System’s and Weyburn System’s tolls are, on a complaint basis, subject to regulation by the Province of Saskatchewan. Likewise, the Virden System’s tolls are, on a complaint basis, subject to regulation by the Province of Manitoba. The provincial regulators in Saskatchewan and Manitoba exercise regulatory authority over various other matters in connection with the Saskatchewan System, the Weyburn System and the Virden System, as applicable, including approvals for any new construction, modification, operation and abandonment.

FINANCIAL FORECAST OF THE FUND

The accompanying consolidated financial forecast of the Fund consisting of the consolidated statements of forecasted loss and forecasted distributable cash for the 12 months ending June 30, 2004 has been prepared by the Manager using assumptions with an effective date of June 23, 2003.

The financial forecast was prepared according to Canadian generally accepted accounting principles and regulatory requirements relating to the evaluation, presentation and publication of financial forecasts. The financial forecast was prepared according to assumptions that reflect the courses of action that the Manager has planned to adopt in respect of the Fund for the period covered, taking into account industry and economic conditions that, in the opinion of the Manager, were the most probable as at June 23, 2003. Pursuant to applicable securities legislation, the Fund will be required to update the financial forecast during the forecast period by identifying any significant changes resulting from events that have occurred during the period or disclosing that no significant changes are required and by comparing the forecast with actual annual results.

Some of the assumptions used in the preparation of the financial forecast, although considered reasonable by the Manager at the time of preparation, inevitably will not materialize as forecasted as unanticipated events and circumstances will occur subsequent to the date of the forecast. Accordingly, the actual results achieved for the forecast period will vary from the forecast results and the variations may be material. There is no representation that the financial forecast will be realized in whole or in part. Important factors that could cause actual results to vary materially from the forecast are disclosed under “Risk Factors”.

The terms Distributable Cash and Distributable Cash per Trust Unit are not standard measures under Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other issuers. Refer to the “Glossary” for the definition of Distributable Cash. Refer to “Consolidated Statement of Forecasted Distributable Cash” in the financial forecast for a quantitative reconciliation of net income, calculated in accordance with Canadian generally accepted accounting principles, to Distributable Cash. Distributable Cash per Trust Unit means Distributable Cash divided by the sum of the number of Ordinary Units and Subordinated Units outstanding. Management believes that Distributable Cash and Distributable Cash per Trust Unit are useful supplemental measures that may assist investors in assessing the return on their investment in the Trust Units.

The financial forecast should be read in conjunction with the audited statement of financial position and the pro forma financial statements of the Fund and the audited and unaudited financial information relating to the Canadian Pipeline Interests appearing elsewhere in this prospectus. See “Pro Forma Financial Statements — The Fund”, “Financial Statements — Saskatchewan System” and “Financial Statements — Alliance Canada”.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL FORECAST OF THE FUND

To the Trustee of Enbridge Income Fund and the Trustees of Enbridge Commercial Trust

The accompanying consolidated financial forecast (the "Forecast") of Enbridge Income Fund consisting of the consolidated statement of forecasted loss and the consolidated statement of forecasted distributable cash for the 12-month period ending June 30, 2004 has been prepared by Enbridge Management Services Inc. as the administrator of Enbridge Income Fund using assumptions with an effective date of June 23, 2003. We have examined the support provided by Enbridge Management Services Inc. for the assumptions, the preparation and the presentation of this Forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by the Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by Enbridge Management Services Inc. are suitably supported and consistent with the plans of Enbridge Income Fund and provide a reasonable basis for the Forecast;
- the Forecast reflects such assumptions; and
- the Forecast complies with the presentation and disclosure standards for forecasts established by the Canadian Institute of Chartered Accountants.

Since the Forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether the Forecast will be achieved.

Calgary, Alberta, Canada
June 23, 2003

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENT OF FORECASTED LOSS

	<u>12-month period ending June 30, 2004</u>
	(thousands of dollars)
Transportation revenue	241,924
Expenses	
Operating and maintenance	54,366
Management and administrative	1,000
Capital taxes	6,219
Depreciation and amortization	92,812
	<u>154,397</u>
Operating income	87,527
Interest expense	(66,371)
ECT Preferred Unit distributions	(33,535)
Income taxes	10,175
Loss	<u>(2,204)</u>

See accompanying notes to the consolidated financial forecast.

ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENT OF FORECASTED DISTRIBUTABLE CASH

<u>(thousands of dollars except number of Trust Units and per Trust Unit amounts)</u>	<u>12-month period ending June 30, 2004</u>
Loss	(2,204)
Add/(Deduct):	
Depreciation and amortization	92,812
Future income taxes	(10,334)
Alliance Canada distributable cash retained	(45,871)
Amortization of debt fair value increment	(2,517)
Reserve account for major maintenance	(4,810)
Debt repayment and other reserves	(676)
	28,604
Distributable Cash	26,400
Trust Unit price	10.00
Trust Units issued	32,000,000
Loss per Trust Unit	(0.07)
Distributable Cash per Trust Unit	0.825

See accompanying notes to the consolidated financial forecast.

ENBRIDGE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL FORECAST

1. BASIS OF PRESENTATION

The consolidated financial forecast (the “Forecast”) of Enbridge Income Fund (the “Fund”) was prepared by Enbridge Management Services Inc. (the “Manager”) as administrator of the Fund and manager of Enbridge Commercial Trust (“ECT”). The Forecast was approved by the board of directors of the Manager on behalf of the Fund on June 23, 2003.

The Forecast has been prepared using assumptions that reflect the intended course of action of the Fund for the 12 month period ending June 30, 2004 (the “Forecast Period”). It is based on the judgement of the Manager as to the most probable set of economic conditions after giving effect to the following transactions prior to the Forecast Period:

- (a) The Fund will use the net proceeds of \$163.7 million from the issuance of 17,500,000 ordinary trust units (the “Ordinary Units”) of the Fund in an initial public offering (the “Offering”) in addition to proceeds of \$145.0 million from the issuance of 14,500,000 subordinated trust units (the “Subordinated Units”) of the Fund to Enbridge Inc. (“Enbridge”) to make a \$15.4 million equity investment and \$293.3 million debt investment in ECT. The Ordinary Units and the Subordinated Units are referred to herein collectively as “Trust Units”.
- (b) ECT will issue 40,648,750 preferred units (the “ECT Preferred Units”) to Enbridge for total proceeds of \$406.5 million.
- (c) ECT will subscribe for Class A limited partnership units of Enbridge Income Partners LP (“LP”) in the amount of \$715.1 million for a total limited partnership interest of 99.99% and will subscribe for shares of Enbridge Income Partners GP Inc. (“GP”) in the amount of \$0.1 million. GP will subscribe for Class A limited partnership units of LP in the amount of \$0.1 million for a total partnership interest of 0.01%.
- (d) LP will enter into a credit facility to be provided to LP by certain chartered banks in the principal amount of \$260.0 million with a 364-day initial period followed by a one-year term out period (the “Credit Facility”).
- (e) In accordance with the Alliance Purchase Agreement, Enbridge’s 50% interest in Alliance Pipeline Limited Partnership (“Alliance Canada”) will be sold to LP for a total purchase price of \$726.6 million.
- (f) In accordance with the Enbridge Saskatchewan Purchase Agreement, Enbridge’s 100% interest in Enbridge Pipelines (Saskatchewan) Inc. (“Enbridge Saskatchewan”) will be sold to a subsidiary of LP for a total purchase price of \$178.4 million.
- (g) The net proceeds from the Offering and approximately \$190.0 million to be drawn under the Credit Facility, together with proceeds from the issuance of the Subordinated Units and the ECT Preferred Units to Enbridge, will be used to acquire Enbridge’s interest in Alliance Canada and Enbridge Saskatchewan.

The Forecast has been prepared for inclusion in the prospectus relating to the Offering. The Forecast is presented solely to provide information to prospective purchasers of Ordinary Units and may not be useful or appropriate for other purposes.

Some of the assumptions used in the preparation of the Forecast, although considered reasonable by the Manager at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances will occur subsequent to the date of the Forecast. Accordingly, the actual results achieved for the Forecast Period will vary from the forecasted results and the variations may be material. There is no representation by the Manager or by the Fund that the Forecast will be realized in whole or in part. Important factors that could cause actual results to vary materially from the Forecast are disclosed under the section “Risk Factors”, found elsewhere in this prospectus.

ENBRIDGE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)

2. NATURE AND DESCRIPTION OF THE FUND

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. At the closing, all of the issued and outstanding ECT common units will be held by the Fund. The Fund will acquire a 50% interest in Alliance Canada and a 100% interest in Enbridge Saskatchewan. The Forecast has been prepared on the basis of the Fund owning a 50% interest in Alliance Canada and a 100% interest in Enbridge Saskatchewan for the 12-month period ending June 30, 2004.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial information contained in the Forecast has been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below.

Basis of Presentation

The Forecast includes the accounts of the Fund, ECT, LP, LP's subsidiaries and LP's proportionate share of the accounts of Alliance Canada over which it exercises joint control.

Regulation

Natural gas transmission on Alliance Canada's pipeline system is regulated by the National Energy Board (the "NEB"). Liquids transportation on Enbridge Saskatchewan's pipeline systems is regulated by the NEB, the Province of Saskatchewan and the Province of Manitoba, as applicable.

In order to achieve proper matching of revenues and expenses, the timing of recognition of certain revenues and expenses may differ from that otherwise expected under generally accepted accounting principles.

Revenue Recognition

Alliance Canada's gas transmission transportation contracts are designed to provide toll revenues sufficient to recover the costs of providing transportation service to shippers, including operating, maintenance and administrative costs, allowances for depreciation, deemed taxes, costs of indebtedness, as well as an allowed return on equity. The period in which costs are recovered from toll receipts may differ from the period in which these costs are expensed in the financial statements. Differences between the recorded transportation revenue and actual toll receipts give rise to receivable or payable balances.

Enbridge Saskatchewan's liquids transportation revenues are recorded when products have been delivered or services have been performed. For operations that are subject to regulation, revenues are not necessarily recognized in the same period as the cash tolls or the billed amounts. For rate-regulated operations, revenue is recognized in a manner that is consistent with the underlying rate design as mandated by the regulatory authority.

Income Taxes

Income taxes attributable to the net results of LP are to be assumed by its partners, which include ECT and GP. However, under the terms of the *Income Tax Act* (Canada), each of the Fund and ECT, as a trust, will not be subject to income taxes to the extent that its taxable income and taxable capital gains are paid or payable to its unitholders. In addition, each of the Fund and ECT is contractually committed to distribute to its unitholders all or virtually all of its taxable income and taxable capital gains that would otherwise be taxable to it.

ENBRIDGE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation of gas transmission property, plant and equipment is generally provided on a straight-line basis over the estimated service lives of the assets. For liquids transportation, depreciation of property, plant and equipment is provided on the unit of throughput basis.

Distributable Cash

The amount of distributable cash to be distributed monthly will consist of all amounts received by the Fund including the income, interest, dividends, return of capital or other amounts, if any, from investments held by the Fund, less amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Trust Units and amounts which the Manager or the trustees of ECT may reasonably consider necessary for payment of costs and expenses required for the operation of the Fund and for reasonable reserves. The policy of the Fund will be to distribute approximately 95% of cash available for distribution.

ECT Preferred Units

Upon request by the holder, the ECT Preferred Units may be repurchased for cancellation in certain specified circumstances by ECT. The ECT Preferred Units are classified as debt instruments and are entitled to non-cumulative monthly distributions in an amount equal to the amount of the monthly distribution per Ordinary Unit. The ECT Preferred Units have a 30-year maturity and no voting rights.

Amounts per Trust Unit

Net earnings and distributable cash per Trust Unit are established by dividing net earnings and distributable cash, as determined above, by the weighted average number of Trust Units outstanding during the period.

4. SIGNIFICANT ASSUMPTIONS

The following assumptions are an integral part of the Forecast.

(a) Consideration for acquisition of assets

The net proceeds from the issuance of Ordinary Units and the proceeds from the Credit Facility together with the issuance of Subordinated Units and ECT Preferred Units to Enbridge, all as described above, will be indirectly used by the Fund to acquire a 50% interest in Alliance Canada for \$726.6 million and to acquire a 100% interest in Enbridge Saskatchewan for \$178.4 million. Acquisition costs are estimated at \$0.2 million.

(b) Acquisition of assets and allocation of purchase price

The acquisition of a 100% interest in Enbridge Saskatchewan and the 50% interest in Alliance Canada will be accounted for using the purchase method at the acquisition cost negotiated between the Fund and Enbridge. It has been assumed that the fair value of the assets and liabilities of Enbridge Saskatchewan and the 50% interest in Alliance Canada is equivalent to the carrying value, except for property, plant and equipment and the fixed rate long-term debt of Alliance Canada. The estimated excess of fair value over the carrying value of property, plant and equipment of Alliance Canada and Enbridge Saskatchewan is \$512.4 million and \$167.5 million, respectively. A future income tax liability of \$248.9 million is also recorded on acquisition for the fair value excess that does not have a corresponding tax basis. The fair value of the fixed rate debt of Alliance Canada exceeds the carrying value by \$20.7 million.

ENBRIDGE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)

4. SIGNIFICANT ASSUMPTIONS (Continued)

(c) General assumptions

- i. The acquisition of the assets described above is assumed to be effective July 1, 2003.
- ii. The Forecast assumes the continuation of all transportation contracts and no significant disruption of normal operations during the Forecast Period.
- iii. During the Forecast Period, it is assumed that there will be no redemption or additional issuances of Ordinary Units or Subordinated Units by the Fund.
- iv. During the Forecast Period, it is assumed that there will be no repurchase or additional issuance of ECT Preferred Units.
- v. For the purpose of the Forecast, it is assumed that the balance of net working capital will be the same at the beginning and the end of the period.

(d) Specific assumptions — revenues

Natural gas transmission:

Natural gas transmission revenue is forecasted using a cost of service model that allows for the recovery from shippers of the following:

- i. all operating and maintenance costs actually and reasonably incurred by Alliance Canada;
- ii. an allowance for costs of indebtedness calculated on the assumption that Alliance Canada's debt equals 70% of its rate base, net of depreciation (regardless of what Alliance Canada's actual capital structure may be);
- iii. an allowance for income tax calculated on a flow-through basis at applicable corporate tax rates as if Alliance Canada were a stand-alone corporate entity;
- iv. an allowed return on equity (approximately 11.3% after tax) calculated on the assumption that Alliance Canada's equity equals 30% of its rate base, net of depreciation (regardless of what Alliance Canada's actual capital structure may be); and
- v. an annual allowance for depreciation of the rate base based on a 25-year amortization period, but utilizing a negotiated schedule of annual depreciation percentages.

The aggregate of the costs listed above in items (i) to (v) is referred to as the "Cost of Service". The shippers have executed transportation contracts that have a 15-year primary term expiring in December 2015 and provide for all of the Alliance System's available firm transportation capacity. Under the transportation contracts, Alliance Canada is entitled to recover its Cost of Service by collecting monthly tolls from the shippers.

Transportation revenue for the Forecast Period reflects tolls filed with the NEB for 2003 and tolls expected to be filed for 2004, based on the forecasted Cost of Service. Transportation revenue has been adjusted to reflect significant differences between the Cost of Service filed with the NEB and any variance from that forecasted based on significant variances identified in the actual results for the three months ended March 31, 2003.

Crude oil and liquids transportation:

Forecasted crude oil and liquids transportation revenue is based on expected deliveries and the tolls applicable to those deliveries. Enbridge Saskatchewan uses its understanding of reserves in its service territory, historical delivery experience and knowledge of its service territory and customer base to

ENBRIDGE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)

4. SIGNIFICANT ASSUMPTIONS (Continued)

assist it in developing an estimate of deliveries. Tolls for the Saskatchewan System and the Westspur System are based on historical agreements with certain crude oil shippers. The Weyburn System and the Virden System are operated using market-based tolls in each of their respective gathering territories.

(e) Specific assumptions — operating and maintenance expenses

Natural gas transmission:

Forecasted natural gas transmission operating and maintenance expenses reflect all costs necessary to operate the pipeline, including operating salaries, maintenance costs, office costs, property taxes and NEB cost recovery fees. The Forecast was estimated using historic results and planned activities.

Crude oil and liquids transportation:

Forecasted crude oil and liquids transportation operating and maintenance expenses reflect all costs necessary to operate the pipeline, including power, operating salaries, maintenance costs, office costs and property taxes. The Forecast was estimated using historic results and planned activities.

(f) Specific assumptions — general and administrative expenses

The forecasted general and administrative expenses for the Forecast Period are \$1.0 million.

i. Management and Administration Agreements

Under these agreements, which have an initial term of 20 years with renewable successive terms of five years, a total annual amount of \$0.1 million is payable by monthly instalments to the Manager for management and administration of the Fund and ECT.

ii. Administrative Expenses

Administrative expenses estimated at \$0.9 million include trustee remuneration for both the Fund and ECT and costs required for financial reporting, audit fees, legal fees, transfer agent fees, unitholder communication costs and any regulatory filings and other miscellaneous expenses.

iii. Incentive Fees

During the Forecast Period, there will be no incentive fees paid or payable to the Manager by ECT.

(g) Specific assumptions — capital taxes

Large corporation tax and provincial capital taxes are forecasted based on the prescribed rates in effect at June 23, 2003.

(h) Specific assumptions — interest expense

Interest expense is estimated to be \$66.4 million. This includes interest related to the \$190.0 million drawn under the Credit Facility which will bear interest at a rate of 4.5% per annum during the Forecast Period. It also includes interest expense related to the operations of Alliance Canada as forecasted based on actual and forecasted debt levels and the respective cost of debt.

Since the fair value of the fixed rate debt of Alliance Canada exceeds the carrying value by \$20.7 million, interest expense includes amortization of this fair value increment on a straight-line basis over the remaining term to maturity.

ENBRIDGE INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)

4. SIGNIFICANT ASSUMPTIONS (Continued)

(i) Specific assumptions — ECT Preferred Unit distributions

The ECT Preferred Units receive a per unit distribution equal to the amount of the monthly distribution per Ordinary Unit.

(j) Specific assumptions — Alliance Canada cash distributions

Distributions from Alliance Canada will be made by the board of directors of Alliance Pipeline Ltd. (“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. The Fund, as a 50% owner of Alliance GP, will have the right to appoint 50% (currently three of six) of the directors to the board of Alliance GP.

5. RELATED PARTY TRANSACTIONS

Certain payments in the consolidated statement of forecasted earnings are forecasted to be paid to the Manager under the management and administration agreements.

FUND TRUSTEES AND MANAGEMENT

Fund Trustee

CIBC Mellon will be the initial Fund Trustee.

ECT Trustees

Immediately after Closing, ECT shall have not fewer than five and not more than 15 trustees, a majority of whom will be residents of Canada within the meaning of the Tax Act. At least a simple majority of the ECT Trustees will be elected by Unitholders and will be Independent ECT Trustees. The remainder of the ECT Trustees will be appointed by the Manager. The number of ECT Trustees shall be determined from time to time by resolution of the ECT Trustees. From and after Closing, the number of ECT Trustees shall be fixed at seven (four of whom will be Independent ECT Trustees) until such time as the ECT Trustees pass a resolution to fix the number of ECT Trustees at a new number. See “Description of ECT — Fund Trustees/Governance”.

The term of office of any ECT Trustee continues until the annual meeting of Unitholders next following his/her election or appointment or (if an election or appointment of ECT Trustees is not held at such meeting or if such meeting does not occur) until the date on which his/her successor is elected or appointed, or earlier if he/she dies or resigns or is removed or disqualified, or until his/her term of office is terminated for any other reason in accordance with the ECT Trust Indenture.

The names, municipalities of residence and principal occupations of the initial ECT Trustees who will be appointed as of Closing (other than J. Richard Bird who was appointed on December 20, 2002 in connection with the creation of ECT), together with brief biographies, are set out below.

<u>Name and municipality of residence</u>	<u>Principal occupation</u>
Richard (Dick) Auchinleck ⁽¹⁾⁽²⁾ Calgary, Alberta	Corporate Director
J. Richard Bird Calgary, Alberta	Group Vice President, Energy Transportation North, Enbridge
M. Elizabeth Cannon ⁽¹⁾ Calgary, Alberta	University Professor, University of Calgary
Patrick D. Daniel Calgary, Alberta	President & Chief Executive Officer, Enbridge
Gordon G. Tallman ⁽¹⁾⁽²⁾ Calgary, Alberta	Corporate Director
Wesley R. Twiss ⁽¹⁾⁽²⁾ Calgary, Alberta	Corporate Director
Stephen J. Wuori Calgary, Alberta	Group Vice President & Chief Financial Officer, Enbridge

Notes:

(1) Independent ECT Trustee.

(2) Expected to be Member of Audit Committee.

Richard (Dick) Auchinleck. Mr. Auchinleck held the position of President and Chief Executive Officer of Gulf Canada from 1998 to 2001. Prior thereto, Mr. Auchinleck held the positions of Chief Operating Officer of Gulf Canada (from 1995 to 1998), as well as Chief Executive Officer for Gulf Indonesia (from 1997 to 1998). In 1995, he was appointed Senior Vice President, International and Exploration of Gulf Canada, which included

responsibilities for both marketing and acquisitions. Mr. Auchinleck holds a Bachelor of Applied Science degree in Chemical Engineering from the University of British Columbia.

J. Richard Bird. Mr. Bird is Group Vice President, Energy Transportation North of Enbridge and is responsible for all of Enbridge's energy transportation operations in Canada, including Enbridge Pipelines Inc. and its related liquids pipelines operations, the Alliance and Vector natural gas pipeline investments, and midstream investments such as AltaGas Services Inc. Prior to his current appointment, Mr. Bird was Group Vice President, Transportation and prior thereto Senior Vice President, Corporate Planning and Development. Mr. Bird joined Enbridge in 1995 after holding senior financial and corporate development executive positions at a number of other companies. 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.

M. Elizabeth Cannon. Dr. Cannon has been Professor of Geomatics Engineering at the University of Calgary since 1996. From 2002 to 2003, she was 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. Prior thereto, Dr. Cannon held the position of Associate Professor, Geomatics Engineering at the University of Calgary from 1993 to 1996. 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.

Patrick D. Daniel. Mr. Daniel is President and Chief Executive Officer of Enbridge and is responsible for all of the company's operating and staff segments, with all seven Group Vice Presidents reporting to him. Prior to his current appointment, he was President & Chief Operating Officer of Enbridge, and also served as Chief Executive Officer of Enbridge Pipelines Inc. Prior to joining Enbridge, Mr. Daniel held senior management positions with Hudson's Bay Oil & Gas Ltd. and Home Oil Limited. Mr. Daniel holds a Bachelor of Science (Chemical Engineering) from the University of Alberta and a Master of Science (Chemical Engineering) from the University of British Columbia.

Gordon G. Tallman. Mr. Tallman recently retired as the Senior Vice President, Royal Bank, Prairies Region after a career spanning 41 years. Some of Mr. Tallman's key management responsibilities with the Royal Bank included Senior Vice President Lending — Risk Management Group, Senior Assistant Manager, Vancouver Branch, Senior Vice President, Prairies, Vice President, Global Energy Group and Vice President, Commercial Banking & National Accounts.

Wesley R. Twiss. Mr. Twiss held the position of Executive Vice President & Chief Financial Officer of PanCanadian Energy Corporation from 2000 to 2002. Prior thereto, Mr. Twiss held the positions of Senior Vice-President, Finance and Planning, and Executive Vice-President and Chief Financial Officer with Petro-Canada from 1989 to 2000. Mr. Twiss holds a Masters of Business Administration from the University of Western Ontario and a Bachelor of Science (Chemical Engineering) from the University of Toronto.

Stephen J. Wuori. Mr. Wuori is Group Vice President and Chief Financial Officer of Enbridge and is responsible for Enbridge's principal financial functions. Prior to his current appointment, Mr. Wuori was Group Vice President, Planning and Development of Enbridge Inc. responsible for corporate acquisitions and business development including northern pipeline development and long-range planning and prior thereto was President of Enbridge Pipelines Inc. Mr. Wuori has over 22 years of operations and business experience at Enbridge, and holds a Bachelor of Science (Civil Engineering) from Michigan Technological University.

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, together with brief biographies of those who are not also ECT Trustees, are set out below:

<u>Name and municipality of residence</u>	<u>Position with the Manager</u>	<u>Principal occupation</u>
J. Richard Bird Calgary, Alberta	President and Director	Group Vice President, Energy Transportation North, Enbridge
Bradley W. Boyle Calgary, Alberta	Treasurer	Assistant Treasurer, Enbridge
Patrick D. Daniel Calgary, Alberta	Director	President & Chief Executive Officer, Enbridge
Murray J. Desrosiers Calgary, Alberta	Corporate Secretary	Senior Legal Counsel, Enbridge
Christopher J. Johnston Calgary, Alberta	Controller	Manager, Financial Reporting, Enbridge
Stephen J. Wuori Calgary, Alberta	Director	Group Vice President & Chief Financial Officer, Enbridge

Bradley W. Boyle. Mr. Boyle has held the position of Assistant Treasurer of Enbridge since February 2002. Prior thereto, Mr. Boyle was Director, Corporate Finance (November 1999 to January 2002) and Manager, Corporate Finance (January 1998 to October 1999) at Enbridge. Mr. Boyle holds a Masters of Business Administration and a Bachelor of Laws from the University of Western Ontario.

Murray J. Desrosiers. Mr. Desrosiers has held the position of Senior Legal Counsel with Enbridge since March 2001. Prior thereto, Mr. Desrosiers was a lawyer with Gowling Lafleur Henderson LLP (or its predecessors Code Hunter and Code Hunter Wittmann) practicing primarily in the area of corporate securities law since July 1996. Mr. Desrosiers holds a Bachelor of Laws from the University of Alberta and a Bachelor of Commerce (Finance) from the University of Calgary. Mr. Desrosiers has been a member of the Law Society of Alberta since July 1996.

Christopher J. Johnston. Mr. Johnston has held the position of Manager, Financial Reporting of Enbridge since August 2001. Prior thereto, Mr. Johnston was Senior Advisor, Financial Reporting of Enbridge (December 1999 to September 2001) and was an assurance and advisory practitioner with Deloitte & Touche (November 1993 to November 1999) including the position of Senior Manager prior to departure. Mr. Johnston is a Chartered Accountant and holds a Bachelor of Commerce from the University of Calgary.

The directors and officers of the Manager will not be devoting all of their time and affairs to the Manager, but will be devoting such time as is required for the Manager to fulfill its obligations to the Fund.

Agreements with the Manager

The Manager will provide administrative services to the Fund and administrative and management services to each of ECT and GP. These arrangements will be set forth in separate agreements, namely, the Administration Agreement, the Management Agreement and the GP Services Agreement (collectively, the “Services Agreements”) entered into by the Manager and one or more of the Fund, ECT and GP, among others. In exercising its powers and discharging its duties under the Services Agreements, the Manager is required to act honestly, in good faith and in the best interests of the Fund, ECT and GP (as applicable), exercising the same degree of care, diligence and skill that, in Canada, a reasonably prudent administrator or manager, having responsibilities of a similar nature to those set forth in the applicable Services Agreement, would exercise in comparable circumstances.

Services

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

To the Fund:

The Manager will provide or procure from its affiliates or third parties, on an exclusive basis, all general administrative and operational services to the Fund that are or may be required or advisable, from time to time, in order to administer the operations of the Fund, including those necessary to: (i) ensure compliance by the Fund with its continuous disclosure obligations under applicable securities legislation; (ii) provide investor relations services; (iii) prepare and cause to be provided to Unitholders all information to which Unitholders are entitled under the Fund Trust Indenture and under applicable laws; (iv) call and hold meetings of Unitholders and prepare, approve and arrange for the distribution of required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) compute, determine and direct distributions to Unitholders; (vi) attend to all administrative and other matters arising in connection with any redemptions of Trust Units; and (vii) undertake and perform all acts, duties and responsibilities in connection with acquiring or disposing of assets and property for and on behalf of the Fund of whatever nature or kind.

Notwithstanding the foregoing, the Manager will not be delegated the right, power and authority to act on behalf of the Fund in connection with certain matters which might otherwise be regarded as administrative or operational in nature, including with respect to matters pertaining to determining the timing and terms of issuances of Trust Units, and undertaking all matters in connection with any take-over bid, merger, amalgamation, arrangement, reorganization, recapitalization, purchase or repurchase of any securities or assets of any person, any business combination, or other similar transaction involving the Fund. In addition to those duties in respect of the Fund which will be delegated to the Manager by the Fund Trustee under the Administration Agreement, the Manager will be conferred certain powers, duties and authorities directly pursuant to the terms of the Fund Trust Indenture. In exercising its powers and discharging its duties under the Fund Trust Indenture, the Manager will be required to satisfy the same standard of care for performance of its duties under the Services Agreements. See “Description of the Fund — Delegation and Matters Pertaining to the Administrator”.

To ECT and GP:

The Manager will provide or procure from its affiliates or third parties, on an exclusive basis, all management services that are or may be required or advisable, from time to time, in order to manage, operate, control and administer the business of ECT or GP and shall make all decisions regarding the affairs of ECT and GP including: (i) overseeing the business and affairs; (ii) developing, implementing and monitoring a strategic plan; (iii) developing acquisition strategies and investigating potential acquisitions and analyzing the feasibility of potential acquisitions; (iv) carrying out acquisitions or dispositions and related financings; (v) preparing an annual management plan; (vi) assisting in connection with any financings; (vii) the preparation, planning and co-ordination of meetings of the ECT Trustees and partners of LP, as applicable; and (viii) providing oversight and direction of the investments in Alliance Canada, Alliance GP and Enbridge Saskatchewan, including through representation on the boards of directors of Alliance GP and Enbridge Saskatchewan.

Fees

Under the Services Agreements, the Manager will receive fees in consideration of the services it will provide to the Fund, ECT and GP.

The Fund:

In consideration for providing the services to the Fund under the Administration Agreement, the Manager will receive a base fee (the “Administration Base Fee”) of \$50,000 per annum, payable in equal quarterly instalments in arrears, subject to annual adjustment (commencing in 2004) based upon the increase in the Canadian Consumers’ Price Index during the immediately preceding year. In addition, the Administration Base Fee will be adjusted in any given year to account for any period less than a full year during which the Fund is provided services under the Administration Agreement. The Manager and the Fund will negotiate in good faith in respect of an adjustment to the Administration Base Fee at any time when the Fund is in the process of

acquiring or investing in, whether direct or indirect, further assets or other interests or properties of whatever nature or kind.

ECT:

In consideration for providing services to ECT under the Management Agreement, the Manager will receive (i) a base fee (the “Management Base Fee”) of \$50,000 per annum, payable in equal quarterly instalments in arrears, subject to annual adjustment (commencing in 2004) based upon 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. Both the Management Base Fee and Incentive Fee will be adjusted in any given year to account for any period less than a full year during which ECT is provided services under the Management Agreement. In addition, the Manager and ECT will negotiate in good faith adjustments to the Management Base Fee anytime the Fund is in the process of acquiring or investing in, whether direct or indirect, further assets or other interests or properties of whatever nature or kind. The Manager will also be 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 will receive a fee equal to 115% of its operating expenses (expected to be less than \$10,000 in the first year) reasonably attributable to the provision of such services and reimbursement of all reasonable and proper outlays and expenditures made by the Manager in the course of providing such services.

Insider Reporting

Pursuant to the Administration Agreement, the Manager will agree to implement a trading and disclosure policy, for and on behalf of the Fund, requiring that the Fund and all insiders thereof (as determined in accordance with applicable securities legislation, and including ECT, the Manager, GP and Enbridge, and the directors, trustees and senior officers thereof) who are required to file reports of their trades in securities of the Fund file such reports within the time periods prescribed under applicable securities legislation. See “Description of the Fund — Information and Reports”.

Conflicts of Interest and Restrictions on the Manager

The Services Agreements will not prohibit Enbridge or its affiliates and associates (excluding the Manager) from competing with the Fund and its affiliates, except where any new activities proposed to be engaged in by Enbridge or its affiliates and associates 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 will provide that the Manager may not, without first obtaining 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. Finally, the Manager may not enter into or commit to any transaction which requires the approval of the Independent ECT Trustees or ECT Unitholders in accordance with the ECT Trust Indenture without obtaining such approval. See “Description of ECT — Powers of and Restrictions on ECT Trustees”.

Assignment and Delegation

Subject to limited exceptions (including assignment or sale to an affiliate of the Manager without consent), the Services Agreements will be transferable by the Manager to third parties only with the prior written consent of the majority of Independent ECT Trustees, which consent shall not be unreasonably withheld. A direct or indirect change of control of the Manager will require the prior written consent of the Independent ECT Trustees, except that the indirect change of control of the Manager resulting from a change of control of Enbridge will not trigger such consent requirement. The Administration Agreement and the Management Agreement will permit the Manager to delegate its responsibilities, but no such delegation will relieve the Manager of its responsibility for ensuring the performance of its duties and obligations under each such agreement. If, however, the Manager delegates its responsibilities to a third party and in so doing does not breach its standard of care, the Manager will not be liable for the acts or omissions of such delegate (except where such delegate is an affiliate of the Manager).

Indemnification and Limits of Liability

Under each of the Services Agreements, the Manager, its affiliates and associates and any person who is serving or shall have served as a director, officer, employee or agent of the Manager or of its affiliates or associates, will be indemnified by each of the Fund, ECT and GP (as applicable) in respect of the Manager's activities on their behalf unless the Manager acts in a manner which is fraudulent, grossly negligent or in wilful default of its duties. Among other things, the Manager will not be liable for any consequential or indirect loss or damage.

Term and Termination

General

Each of the Services Agreements will have an initial 20-year term and will be automatically renewable for additional successive terms of five years each unless terminated by the Manager on prior written notice which is provided at least 180 days before the expiry of the initial term or any renewal term. Each of the Services Agreements will provide that it may, by written notice given by one party to the other, be immediately terminated in the event of (i) certain events of bankruptcy, insolvency, receivership or liquidation of the other party, (ii) termination of either one of the Management Agreement or the Administration Agreement, or (iii) a breach by the other party in the performance of a material obligation, covenant or responsibility under the agreement (other than as a result of the occurrence of a force majeure event) which is not remedied, or when not reasonably capable of being remedied within 60 days such party nonetheless fails to commence and diligently pursue steps to remedy such default, within 60 days after notice of such breach has been delivered; provided that, prior to any party being entitled to terminate a Services Agreement for breach by the other party of performance of a material obligation, receipt of approval of the Unitholders by Ordinary Resolution must be obtained authorizing such termination (provided that Trust Units and Voting Exchangeable Securities held by the Manager and any of its affiliates shall not be counted in any vote to approve termination based on a breach by the Manager).

Management Agreement

Additionally, the Management Agreement will provide that it may be terminated by the Independent ECT Trustees where: (i) there has occurred a substantial deterioration in the business of ECT, taken as a whole, which is caused by the Manager and renders the performance of ECT and the business thereof to be materially below the performance of similar income trusts in Canada, and which is not caused by an event of *force majeure* or other events outside the reasonable control of the Manager; (ii) a written notice detailing the reasons why the Manager is seen to be the cause of the substantial deterioration is delivered to the Manager by the Independent ECT Trustees and the Manager fails to remedy the issues within three months or by the date of the passage of the Unitholder resolution referred to in (iii) below (whichever is later); and (iii) the termination is authorized by a resolution in writing signed by Unitholders (which, for such purpose, includes holders of Voting Exchangeable Securities) holding at least 66⅔% of all votes entitled to be voted at a meeting of Unitholders or by a resolution passed at a meeting attended in person or by proxy by Unitholders (which, for such purpose, includes holders of Voting Exchangeable Securities) representing at least 50% of all votes entitled to be voted at a meeting of

Unitholders and approved by the affirmative vote of such Unitholders who hold at least 66⅔% of the votes represented at such meeting (provided, in each case, Trust Units and Voting Exchangeable Securities held by the Manager and any of its affiliates shall be excluded).

In the event that the Manager is in breach of its material obligations, covenants or responsibilities under the Management Agreement where such breach arises from, relates or is attributable to, any act or omission on the part of a non-affiliated owner or operator of any asset in respect of which ECT has a direct or indirect interest, then such breach by the Manager shall be deemed not to be a breach of the Management Agreement and to not constitute grounds for termination of the Management Agreement and ECT shall not be entitled to terminate the Management Agreement or take any other action or pursue any other rights or legal process as against the Manager which ECT may at law, or otherwise, be entitled.

Administration Agreement

In circumstances where the Fund initiates termination of the Administration Agreement, ECT will agree 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.

DESCRIPTION OF THE FUND

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 prospectus, 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 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 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 any associate or affiliate thereof, or any other business entity in which ECT has an interest, direct or indirect, including entering into and carrying out all of the transactions contemplated by this prospectus; (b) 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 other corporations, partnerships, trusts or other persons involved, directly or indirectly, in the business of energy transportation and/or other related businesses; (c) borrowing funds for any of the purposes set forth in (a) and (b) above; (d) guaranteeing the debts or liabilities of any person for any of the purposes set forth in (a) and (b) above; (e) 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; (f) issuing Trust Units, instalment receipts, and other securities (whether debt or equity) of the Fund (including securities convertible into or exchangeable for Trust Units or other securities of the Fund, or warrants, options or other rights to acquire Trust Units or other securities of the Fund), for the purposes of: (i) obtaining funds to conduct the activities described in paragraphs (a) and (b) above, including raising funds for further acquisitions; (ii) repayment of any indebtedness or borrowings of the Fund or any affiliate thereof, including the indebtedness evidenced by the ECT Preferred Units; (iii) 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; (iv) satisfying obligations to deliver securities of the Fund, including Trust Units, pursuant to the terms of Exchangeable Securities; (v) carrying out any of the transactions contemplated by this prospectus and satisfying all obligations in connection with such transactions; and (vi) making non-cash distributions to Unitholders as contemplated by the Fund Trust Indenture including *in specie* redemptions and distributions pursuant to distribution reinvestment plans, if any, established by the Fund; (g) repurchasing or redeeming Trust Units or other securities of the Fund, subject to

the provisions of the Fund Trust Indenture and applicable law; and (h) engaging in all activities ancillary or incidental to any of those activities set forth in paragraphs (a) through (g) above.

Fund Trustee

CIBC Mellon is the initial 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 administrator, the Fund Trustee has full, absolute and exclusive power, control and authority over the property of the Fund and over the affairs of the Fund to the same extent as if the Fund Trustee were the sole owner of such property in its own right and may do all such acts and things as it, in its sole judgment and discretion, deems necessary or incidental to, or desirable for, the carrying out of the duties of the Fund Trustee as established pursuant to the Fund Trust Indenture.

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, in connection therewith, exercise that 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, as the administrator of the Fund, pursuant to the terms of the Administration Agreement, and to ECT, pursuant to the terms of 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. See “— Delegation and Matters Pertaining to the Administrator”.

All determinations of the Fund Trustee, and any agent to whom the Fund Trustee has delegated duties (including the Manager), where such determinations are made in good faith with respect to any matters relating to the Fund, shall be final and conclusive and binding on the Fund and all Unitholders.

The Fund Trustee will be able to resign as trustee of the Fund by giving to the Manager, in its capacity as administrator of the Fund, not less than 90 days' prior notice. The Fund Trustee may be removed at any time with or without cause by Ordinary Resolution. The Fund Trustee may also be removed at any time by the Manager, in its capacity as administrator of the Fund, by notice in writing given to the Fund Trustee upon the occurrence of certain events, including where the Fund Trustee is declared bankrupt or insolvent, all of its assets (or a substantial part thereof) are subject to seizure, it becomes incapable of performing its responsibilities under the Fund Trust Indenture, or the Fund Trustee at any time ceases (i) to be incorporated under the laws of Canada or a province thereof, (ii) to be resident in Canada, (iii) to be authorized and registered under the laws of the Province of Alberta to carry on the business of a trust company, or (iv) to have reported on its most recent audited consolidated financial statements shareholders' equity of at least \$50 million.

Any resignation or removal of the Fund Trustee will take effect on the earlier of (a) 90 days after the date notice of a resignation is duly given, an Ordinary Resolution to remove the Fund Trustee is approved, or notice by the Manager to remove the Fund Trustee is given, as the case may be, and (b) the date a successor Fund Trustee is appointed or elected. If no successor Fund Trustee has been appointed or elected within 60 days of notice being given by the Fund Trustee of its resignation, approval of such Ordinary Resolution, or the giving of notice by the Manager to remove the Fund Trustee, as the case may be, any Unitholder, the Fund Trustee, the Manager or any other interested person may apply to a court of competent jurisdiction for the appointment of a successor Fund Trustee.

Upon the taking effect of any resignation or removal of the Fund Trustee under the terms of the Fund Trust Indenture, the Fund Trustee shall cease to be a party to each of the Administration Agreement and the Fund Delegation Agreement.

The Fund Trust Indenture provides that the Fund Trustee shall have no liability to any Unitholder for any action taken in good faith in reliance on any documents that are prima facie properly executed, for depreciation of, or loss to, the Fund incurred by reason of the retention or sale of any property, for any inaccuracy or omission in any evaluation provided by the Manager or any other appropriately qualified person, for relying on any such evaluation, for any action or failure to act of the Manager or ECT, or for any other action or failure to act, unless such liabilities arise from a breach of the Fund Trustee's standard of care or its gross negligence,

wilful default or fraud. Delegation by the Fund Trustee to the Manager or ECT is deemed to satisfy the Fund Trustee's standard of care. If the Fund Trustee has retained an appropriate expert or advisor with respect to its duties, and in selecting such expert or advisor does not breach its standard of care, the Fund Trustee may act or refuse to act (provided it is done in good faith) based on the advice of any such expert or advisor without liability. In addition, the Fund Trustee may rely on the Administrator, ECT, the auditor of the Fund or counsel to the Fund, and shall be deemed to have satisfied its standard of care in so doing. 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, wilful 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) and the terms of any agreement entered into by the Fund or its affiliates 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) vote the ECT Units with respect to any matter which, under the ECT Trust Indenture, requires or permits approval by the holders of ECT Units by Special Resolution, (ii) amend the Fund Trust Indenture (except in certain limited circumstances described under “— Amendments to the Fund Trust Indenture” below), (iii) 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, (iv) 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 (v) 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 such transaction, the holders (or affiliates thereof) of equity interests in such other person(s) (such holders being determined immediately prior to the entering into of such combination, merger or similar transaction) 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.

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 pursuant to the Fund Trust Indenture. Upon Closing, there will be 17,500,000 Ordinary Units outstanding (or 20,125,000 Ordinary Units if the Over-Allotment Option is exercised in full) and 14,500,000 Subordinated Units outstanding. All of the Subordinated Units will be owned by Enbridge.

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 Ordinary Units and Subordinated Units are each entitled to receive notice of and to attend and vote at all annual and special meetings of Unitholders. Each Ordinary Unit and each Subordinated Unit entitles the holder thereof to one vote at all such meetings for each such unit held. The holders of Ordinary Units and Subordinated Units shall vote together as though 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. In the case of an amendment to the subordination provisions, the holders of Ordinary Units and the holders of Subordinated Units shall each vote as separate classes and each class must approve such proposed amendment by Special Resolution in order for such amendment to be effective.

- (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) if, as and when declared by the Fund (currently to be monthly distributions), provided, however, that holders of Ordinary Units shall have a priority right (which, upon satisfaction of certain conditions, terminates) to receive, out of the distributions declared by the Fund, an amount equal to \$0.06875 in respect of each Ordinary Unit held thereby as of the record date for the monthly distribution in question, which amount is to be paid to such holders of Ordinary Units prior to any distributions in respect of such month being paid to the holders of Subordinated Units. See “— Distributions” and “— Subordination”.
- (c) *Participation on Wind-up.* Upon liquidation, dissolution or wind-up of the Fund, holders of Ordinary Units and holders of Subordinated Units shall participate equally and rateably, without discrimination, preference or priority, in any distribution of the net assets of the Fund.
- (d) *Redemption and Repurchase.* Ordinary Units and Subordinated Units are redeemable on demand by the holders thereof, and may be purchased for cancellation by the Fund through offers made to, and accepted by, such holders. See “— Redemption at the Option of Unitholders” and “— Repurchase of Trust Units”. There are no other conversion, retraction, redemption or pre-emptive rights for holders of Ordinary Units or Subordinated Units.

Except with respect to voting in conjunction with changes to the terms and conditions providing for subordination of holders of Subordinated Units as set forth above in paragraph (a), and with respect to the priority right of holders of Ordinary Units in respect of distributions as forth above in paragraph (b), holders of Ordinary Units and holders of Subordinated Units shall be treated in all respects equally and in the same manner as though a single class, including with respect to any changes to the Trust Units or any issue or distribution of Trust Units, rights, options, warrants or other securities or assets of the Fund.

Issuance of Trust Units

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 offering subsequent to this offering may be issued for a consideration payable in instalments and the Fund may take security over any such Trust Units so issued. The Fund Trust Indenture provides that the Trust Units or rights to acquire Trust Units may be issued at such times, to such persons, for such consideration and on such terms and conditions as the Fund Trustee determines, including pursuant to any Unitholder rights plan, distribution reinvestment plan, Trust Unit purchase plan or any incentive option or other compensation plan established by the Fund. The authority to determine the timing and terms of future offerings of Trust Units has been delegated by the Fund Trustee to ECT. See “— Delegation and Matters Pertaining to the Administrator”. 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. The Fund Trust Indenture also provides that immediately after any *pro rata* distribution of Trust Units to Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution of additional Trust Units. In this case, each certificate representing a number of Trust Units prior to the non-cash distribution is deemed to represent the same number of Trust Units after the non-cash distribution and the consolidation.

Book Entry Only System

The following description of the operations and procedures of CDS are provided solely as a manner of convenience. These operations and procedures are solely within the control of CDS and are subject to changes by CDS from time to time. Neither the Fund, the Manager nor Enbridge takes responsibility for these operations and procedures and urges investors to contact CDS or its Participants (as defined below) directly to discuss these matters.

Except as otherwise provided below, the Ordinary Units will be issued in “book entry only” form and must be purchased or transferred through participants (“Participants”) in the depositary service of CDS, which include securities brokers and dealers, banks and trust companies. On the date of Closing, the Fund will cause a global certificate or certificates representing the Ordinary Units to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no holder of Ordinary Units will be entitled to a certificate or other instrument from the Fund or CDS evidencing that holder’s ownership thereof, and no holders of Ordinary Units will be shown on the records maintained by CDS except through a book entry account of a Participant acting on behalf of such holder. Each holder of Ordinary Units will receive a customer confirmation of purchase from the registered dealer from which the Ordinary Unit is purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book entry accounts for its Participants having interests in the Ordinary Units.

If (i) CDS resigns or is removed from its responsibilities as depositary with respect to the Ordinary Units and the Fund is unable or does not wish to locate a qualified successor or (ii) the Manager or the Fund, at their option (including to ensure compliance with the Fund’s limitations on non-resident ownership) elects, or is required by law, to terminate the book entry system, or (iii) Unitholders representing not less than 66⅔% of the aggregate votes entitled to be voted at a meeting of Unitholders determine that the continuation of the book entry system is no longer in the best interests of the Unitholders, then Ordinary Units will be issued in fully registered form to holders of Ordinary Units or their nominees.

Transfer of Ordinary Units

Trust Units are transferable at any time and from time to time. Transfers of ownership in the Ordinary Units will be effected only through records maintained by CDS or its nominee for such Ordinary Units with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Holders of Ordinary Units who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Ordinary Units, may do so only through Participants.

The ability of a holder of Ordinary Units to pledge an Ordinary Unit or otherwise take action with respect to such holder’s interest in an Ordinary Unit (other than through a Participant) may be limited due to the lack of a physical certificate.

Investments

Money or other property received by the Fund or the Fund Trustee, on behalf of the Fund, may be used for any purpose not inconsistent with the Fund Trust Indenture. See “— General”, “Enbridge Income Fund — Objectives and Business Strategy” and “Description of ECT — Acquisitions and Investments”.

Distributions

The Fund’s policy will be to distribute approximately 95% of cash available for distributions on an annual basis. The remaining 5% of cash available for distributions will be used by the Fund to repay debt obligations of the Fund, for general purposes and to levelize distributions. Monthly distributions will be made to Unitholders of record as of the close of business on the last business day of each month and are expected to be paid to Unitholders on or about the 15th day of the following month. The initial distribution of Distributable Cash is expected to be paid to Unitholders on or about August 15, 2003, for the period from Closing to July 31, 2003, which distribution is expected to be \$0.06875 per Trust Unit. Subsequent monthly distributions are expected to be \$0.06875 per Trust Unit. See “Financial Forecast of the Fund”.

The Manager anticipates that approximately 65% of the Distributable Cash during the first taxation year of the Fund will be included in the income of Unitholders for income tax purposes. The balance will not be taxable and will be deducted from the adjusted cost base of their Trust Units.

Where the Manager, as administrator of the Fund, determines that the Fund does not have cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable, payment of such distribution may, at the option of the Manager, be effected by the issuance of additional Trust Units, or fractions of Trust Units if necessary, having an aggregate value equal to the difference between the amount of such declared distribution and the amount of cash which has been determined by the Manager to be

available for the payment of such distribution, provided, however, that a Unitholder is only entitled to receive Trust Units of the same class as the class in respect of which such distribution to him was declared. The value of each Trust Unit which is to be issued in payment of distributions shall be the “market price” (as determined in accordance with the provisions of the Fund Trust Indenture). See “— Issuance of Trust Units”. Such additional Trust Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Subordination

Holders of Subordinated Units are entitled to receive, in respect of each Subordinated Unit held, cash distributions on a monthly basis (as and 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 respect of a particular month is in an amount that would result in a monthly distribution per Trust Unit, if declared, in an amount less than \$0.06875. In such case, a distribution out of Distributable Cash for the month in question shall first be declared payable on each Ordinary Unit in an amount up to \$0.06875 per Ordinary Unit, and any remaining balance of such Distributable Cash shall then be declared payable, on a per unit basis, to holders of Subordinated Units.

The priority with respect to distributions of Distributable Cash to which the holders of Ordinary Units are entitled, as described in the paragraph above (the “Distribution Priority”), shall terminate from and after July 1, 2008 provided that during the period of the 12 consecutive calendar months which immediately precedes such date (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 shall continue in effect 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, at which time the Distribution Priority shall then terminate from and after the first day of the month which is immediately subsequent to the last month in the 12-month period in respect of which the Fund declared and paid aggregate distributions per Trust Unit in an amount equal to or exceeding \$0.825.

Upon termination of the Distribution Priority, the Ordinary Units and the Subordinated Units shall be equal in all respects (including as to distributions of Distributable Cash which shall thereafter be made on a *pro rata* and *pari passu* basis) without discrimination, preference or priority, and the Subordinated Units shall become Ordinary Units by their terms.

Payments of Distributions

Payments of distributions on each Ordinary Unit issued in “book entry only” form will be made by the Fund to CDS or its nominee, as the case may be, as the registered owner of Ordinary Units, and the Fund understands that such payments will be forwarded by CDS or its nominee, as the case may be, to Participants. As long as CDS or its nominee is the registered owner of Ordinary Units, CDS or its nominee, as the case may be, will be considered the sole owner of those Ordinary Units for the purposes of receiving payments on those 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. See “— Delegation and Matters Pertaining to the Administrator”. 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 on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice, in a form reasonably acceptable to the Fund Trustee, requesting redemption, together with any certificates representing Trust Units to be redeemed and written instructions as to the number of Trust Units to be redeemed. Upon tender of Trust Units by a Unitholder for redemption, all rights to and under the Trust Units tendered for redemption shall immediately cease, provided that the holder thereof shall only retain the right to receive distributions thereon which were declared payable to holders of record prior to the date of tender for redemption and the right to receive a price per Trust Unit (the "Redemption Price") in cash equal to the lesser of: (i) 90% of the volume weighted average trading price of Ordinary Units traded on the principal exchange on which Ordinary Units are listed (or, if the Ordinary Units are not listed on any stock exchange, on the principal market on which the Ordinary Units are quoted for trading) during the period of the last 10 trading days occurring immediately prior to the date on which Ordinary Units were tendered for redemption, and during which, on each such trading day, at least a board lot of Ordinary Units were traded; and (ii) an amount equal to (a) the closing price of the Ordinary Units on the date on which the Ordinary Units were tendered for redemption, on the principal stock exchange on which Ordinary Units are listed (or, if the Ordinary Units are not listed on any stock exchange, on the principal market on which the Ordinary Units are quoted for trading) if there was a trade on the date on which the Ordinary Units were tendered for redemption and the stock exchange or market provides a closing price; (b) the average of the highest and lowest prices of Ordinary Units on the date on which the Ordinary Units were tendered for redemption, on the principal exchange on which Ordinary Units are listed (or, if the Ordinary Units are not listed on any exchange, on the principal market on which the Ordinary Units are quoted for trading) if there was trading on the date on which the Ordinary Units were tendered for redemption and the exchange or other market provides only the highest and lowest trading prices of Ordinary Units traded on a particular day; or (c) the average of the last bid and ask prices quoted in respect of Ordinary Units on the principal exchange on which Ordinary Units are listed (or, if the Ordinary Units are not listed on any exchange, as quoted on the principal market on which the Ordinary Units are quoted for trading) if there was no trading on the date on which the Ordinary Units were tendered for redemption.

The aggregate Redemption Price payable by the Fund in respect of any Trust Units tendered for redemption during any month shall be satisfied by way of a cash payment by way of cheque issued by the Fund within five business days after the end of the month in which the Trust Units were tendered for redemption; provided that Unitholders shall not be entitled to receive cash upon the redemption of their Trust Units if: (i) the total amount payable in cash by the Fund in respect of such Trust Units and all other Trust Units tendered for redemption in the same month exceeds \$100,000 (provided that such limitation may be waived at the discretion of the Manager); (ii) at the time such Trust Units are tendered for redemption, the outstanding Ordinary Units are not listed for trading on the Toronto Stock Exchange and are not traded or quoted on any other stock exchange or market which the Manager considers, in its sole opinion, provides representative fair market value prices for the Ordinary Units; (iii) the normal trading of Ordinary Units is suspended or halted on any stock exchange on which the Ordinary Units are listed (or, if not listed on a stock exchange, on any market on which the Ordinary Units are quoted for trading) on the date that the Ordinary Units are tendered for redemption or for more than five trading days during the 10 day trading period immediately prior to the date on which the Ordinary Units are tendered for redemption; or (iv) ECT or any affiliate of ECT is, or after such redemption would be, in default under the Credit Facility or any other credit facilities and agreements entered into by the Fund or any of its affiliates, from time to time, which set forth the terms and conditions of any debt financing obtained by the Fund, or by any one of its affiliates (as the case may be), from any person or persons not affiliated with the Fund.

If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the limitations set forth in the immediately preceding paragraph, then the redemption price for each Trust Unit tendered for redemption shall be the fair market value of an Ordinary Unit as determined by the Manager, in its absolute discretion, and shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* of ECT Notes or other assets held by the Fund (other than ECT Units), as determined by the Manager in its discretion. Any ECT Notes so distributed shall be in the principal amount of \$100. No fractional ECT Notes will be distributed and 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 a 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. See “Canadian Federal Income Tax Considerations — Tax Exempt Holders of Ordinary Units”.

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 (which, depending on the terms of the take-over bid, may also include Trust Units issuable upon conversion, exercise or exchange of Exchangeable Securities), the bid is accepted by the holders of not less than 90% of the Trust Units and, as applicable, the Trust Units issuable upon the conversion, exercise or exchange of any relevant Exchangeable Securities, taken together (collectively, the “Bid Units”), other than Bid 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 Bid 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 Bid 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.

In the event of a take-over bid for Trust Units, any holder of Exchangeable Securities may, unless prohibited by the terms and conditions of the Exchangeable Security, convert, exercise or exchange such Exchangeable Security, as applicable, for the purpose of tendering Trust Units to such take-over bid on the condition that such Trust Units are taken up under such bid, unless an identical offer is made concurrently by the offeror to purchase the Exchangeable Securities, which identical offer has no condition attached other than the right not to take up and pay for securities tendered if no securities are purchased pursuant to the offer for Trust Units.

Rights of Holders of Voting Exchangeable Securities

For the purposes of all provisions of the Fund Trust Indenture which entitle Unitholders 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), holders of Voting Exchangeable Securities are included along with holders of Trust Units as comprising those Unitholders entitled to exercise such rights. In this respect, each holder of Voting Exchangeable Securities is entitled to that number of votes equal to the number of votes attached to the number of Trust Units for which the Voting Exchangeable Securities held by such Unitholder are exchangeable, exercisable or convertible. No holder of Voting Exchangeable Securities, solely in the capacity as such, shall be entitled to any interest or share in any distribution from the Fund (whether of net income, net realized capital gains or other amounts, including additional Trust Units) or to any net assets of the Fund in the event of termination or winding-up of the Fund.

All notices, communications or other documentation required to be given or otherwise sent to holders of Trust Units under the Fund Trust Indenture or by law, shall be concurrently given or sent to each holder of Voting Exchangeable Securities.

Meetings of Unitholders

The Fund Trust Indenture provides that there shall be an annual meeting of the Unitholders immediately prior to, and at the same place as, each annual meeting of holders of ECT Units for the purpose of: (i) directing and instructing the Fund Trustee as to the manner in which the Fund Trustee shall vote the ECT Units held by the Fund in respect of (a) the election of the Independent ECT Trustees at the corresponding annual meeting of ECT Unitholders; (b) the appointment of the auditors of ECT for the ensuing year; and (c) generally, any other matter which requires a resolution of holders of ECT Units; (ii) appointing the auditors of the Fund for the ensuing year; and (iii) transacting such other business as the Fund Trustee may determine or as may be properly brought before the meeting.

The Fund Trust Indenture provides that special meetings of Unitholders may be convened at any time and for any purpose by the Fund Trustee, the Manager or the ECT Trustees (so long as the Fund holds any ECT Units) and must be convened, except in certain circumstances, if requisitioned in writing by the Unitholders representing not less than 5% of all votes entitled to be voted at a meeting of Unitholders. A requisition will be required to state in reasonable detail the business proposed to be transacted at the meeting. In addition, the Fund Trust Indenture provides that, in certain circumstances, Unitholders may submit proposals for discussion at a meeting of Unitholders.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy. A proxyholder will not be required to be a holder of Trust Units or of Voting Exchangeable Securities. 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 entitled to be voted at a meeting of Unitholders shall constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chairman of the meeting and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy shall be deemed to constitute a quorum.

Every question submitted to a meeting, other than questions to be decided by Special Resolution, shall, unless a poll vote is demanded, be decided by a show of hands on which every person present and entitled to vote shall be entitled to one vote. On a poll vote at any meeting of Unitholders, each whole Trust Unit shall entitle the holder thereof to one vote and each Voting Exchangeable Security shall entitle the holder thereof to that number of votes equal to the number of votes attached to the number of whole Trust Units into which such Voting Exchangeable Security is exchangeable, exercisable or convertible. With respect to all meetings of Unitholders and with respect to any written consents sought by the Fund from the Unitholders, the holders of Trust Units and the holders of Voting Exchangeable Securities shall vote together. The chairman of any meeting of Unitholders shall not have a second or casting vote.

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*.

Information and Reports

The Fund will furnish to Unitholders, in accordance with and subject to applicable securities laws, such consolidated financial statements of the Fund (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each meeting of Unitholders, the Manager, as administrator of the Fund, will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Fund Trust Indenture to be provided to such holders.

ECT will undertake to provide the Fund with (i) a written description of any material change that occurs in the affairs of ECT, including the content that it would be required to include in a material change filing with applicable regulatory authorities were it a reporting issuer (or equivalent) under applicable securities laws; and (ii) all financial statements that it would be required to file with applicable regulatory authorities if it were a reporting issuer (or equivalent) under applicable securities laws. All such reports and statements will be required to be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

In addition, under the terms of the Administration Agreement, the Manager will agree to implement a trading and disclosure policy, for and on behalf of the Fund, requiring that the Fund and all insiders thereof (as determined in accordance with applicable securities legislation, and including ECT, the Manager, GP and Enbridge, and the directors, trustees and senior officers thereof) who are required to file reports of their trades in securities of the Fund file such reports within the time periods prescribed under applicable securities legislation.

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.

Amendments to the Fund Trust Indenture

Except where otherwise specifically provided in the Fund Trust Indenture, such indenture may only be amended or altered from time to time by Special Resolution. The Fund Trustee will be entitled, at its discretion (which discretion has been delegated to the Manager in respect of items (i) to (v) below and to the ECT Trustees with respect to item (vi) 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 Trustee or the Fund; (ii) providing, in the opinion of the Fund Trustee, 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, or any applicable law or regulation of any jurisdiction, or any prospectus filed with any governmental or regulatory authority with respect to the Fund, 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, in the opinion of the Fund Trustee, are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or in their interpretation or administration; (v) making amendments which, in the opinion of the Fund Trustee, do not materially prejudice either the rights of the Fund Trustee or the rights of the Unitholders; and (vi) making amendments which, in the opinion of the Fund Trustee, 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.

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 defences 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.

Delegation and Matters Pertaining to the Administrator

Under the terms of the Fund Trust Indenture, the Fund Trustee is authorized to delegate any of the powers and duties granted to it (to the extent not prohibited by law) to any person as the Fund Trustee may deem necessary or desirable. The Fund Trustee intends to delegate many of its powers and duties to the Manager, as administrator of the Fund, pursuant to the terms of the Administration Agreement. Among other things, the Administration Agreement sets forth all of the rights, restrictions and limitations (including, without limitation, limitations of liability and indemnification rights) which pertain to the performance by the Manager of the duties delegated to it by the Fund Trustee. Pursuant to the terms of the Fund Trust Indenture and the Administration Agreement, those rights, restrictions and limitations also apply in all respects to the Manager, as administrator of the Fund, in the exercise and performance by it of all powers, duties and authorities directly conferred upon the Manager under the terms of the Fund Trust Indenture. In the event of a termination of the Administration Agreement, ECT will, until a successor administrator is appointed, perform the duties otherwise to have been performed by the Manager under the Administration Agreement and the Fund Trust Indenture on the same terms and conditions as they were performed by the Manager. See "Fund Trustees and Management — Term and Termination — Administration Agreement".

In addition to the delegation of duties to the Manager pursuant to the Administration Agreement, the Fund Trustee also intends to delegate certain of its other powers and duties to ECT pursuant to the terms of the Fund Delegation Agreement, described below. The Fund Trust Indenture provides that the Fund Trustee shall have no liability to any Unitholder or other person as a result of the delegation by the Fund Trustee of its powers and duties to the Manager or ECT.

Pursuant to the terms of the Fund Delegation Agreement, the Fund Trustee will delegate to ECT the responsibility for: (i) determining the timing and terms of future offerings of Trust Units, if any; (ii) undertaking all matters in connection with the issue, sale or pledge of debt obligations or guarantees of the Fund and any of its affiliates, whether secured or unsecured, including establishing credit facilities or other borrowing arrangements, as required; (iii) undertaking, in the event that following Closing the interests of Enbridge or any of its affiliates or associates (other than the Manager) come into material conflict with those of the Fund or its affiliates or associates, responsibility to make all decisions and take or cause to be taken all actions, for and on behalf of the Fund, relating to the matters in respect of which the material conflict of interest has arisen; (iv) undertaking responsibility to make all decisions and take, or cause to be taken, all such actions for and on behalf of the Fund relating to all matters pertaining to the Fund in respect of which each of the directors of the Manager has had to declare his or her interest and abstain from voting in respect thereof; (v) undertaking and performing, by and through the audit committee of ECT, all acts and making all decisions and doing all other things for and on behalf of the Fund, as is required by applicable law of an audit committee of the Fund; (vi) determining the timing and terms of any offer by the Fund for, and repurchase by the Fund of, previously issued Trust Units; (vii) determining whether to make any amendments to the Fund Trust Indenture, as in the opinion of the ECT Trustees may be 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); and (viii) undertaking all matters pertaining to or in connection with any take-over bid, merger, amalgamation, arrangement, reorganization, recapitalization, purchase or repurchase of any securities or assets of any person (excluding redemption), any business combination or any other similar transaction involving the Fund. In performing the duties delegated to it, ECT will be obligated to act honestly, in good faith and in the best interests of the Fund and will also be obligated to exercise that degree of care, diligence and skill as would be exercised, in Canada, by a reasonably prudent person having responsibilities of a similar nature to those under the Fund Delegation Agreement in comparable circumstances. ECT and the ECT Trustees will be indemnified by the Fund in respect of its activities on behalf of the Fund, as referred to above, unless ECT and the ECT Trustees act in a manner which is fraudulent, grossly negligent or in wilful default of their duties. ECT will not be liable for any consequential or indirect loss or damage.

All costs, charges and expenses reasonably incurred by ECT and ECT Trustees in performance of ECT's obligations and duties under the Fund Delegation Agreement shall be payable by the Fund. Either the Fund or ECT may terminate the Fund Delegation Agreement by notice to the parties with termination to become effective 30 days after receipt of such notice by the last of the parties, or by mutual agreement in writing by the parties, failing which the Fund Delegation Agreement will continue in effect until the termination of the Fund pursuant to the Fund Trust Indenture.

Unitholder Plans

Although permitted by the terms of the Fund Trust Indenture for the Fund to create and implement, the terms of the following described distribution reinvestment plans and the rights plan are not set forth in the Fund Trust Indenture but pursuant to separate plans approved or to be approved by the Fund.

Unitholder Distribution Reinvestment Plan

Following Closing, and after receipt of necessary regulatory approvals, the Fund expects to adopt a Distribution Reinvestment Plan pursuant to which holders of Ordinary Units resident in Canada may elect to have all cash distributions from the Fund automatically reinvested in additional Ordinary Units. The Ordinary Units purchased under the Distribution Reinvestment Plan will, at the option of the Manager, be acquired either through the facilities of the Toronto Stock Exchange (in this case the price per Ordinary Unit will be equal to the cost of acquiring such units in the open market) or issued directly from the treasury of the Fund (in this case the price per Ordinary Unit will be equal to the weighted average trading price of the Ordinary Units on the Toronto Stock Exchange for the 10 trading days immediately preceding the distribution payment date). No brokerage

commissions will be payable in connection with the purchase of Ordinary Units under the Distribution Reinvestment Plan and all administrative costs will be borne by the Fund. Proceeds received by the Fund upon the issuance from treasury of Ordinary Units under the Distribution Reinvestment Plan will be used by the Fund for working capital requirements, future acquisitions and debt repayment.

Holders of Ordinary Units resident outside of Canada will be entitled to participate in the Distribution Reinvestment Plan unless prohibited by the law of the jurisdiction in which they reside. Holders of Ordinary Units who are resident in the United States or who are United States citizens will not be entitled to participate in the Distribution Reinvestment Plan.

Administrative details and enrolment documents regarding the Distribution Reinvestment Plan will be forwarded to eligible holders of the Ordinary Units as soon as practicable. The issuance of Ordinary Units from treasury under the Distribution Reinvestment Plan may not be exempt from the registration and prospectus requirements of relevant securities legislation in certain provinces of Canada. In addition, Ordinary Units issued from treasury under the Distribution Reinvestment Plan may not be freely tradeable under the provisions of such legislation until the Fund has been a reporting issuer for at least 12 months.

Unitholder Rights Plan

On or before the Closing, subject to regulatory approval, the Fund will adopt a unitholder rights plan (the “Rights Plan”) which will take effect on the Closing (the “Effective Date”). 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. A Unitholder or any other interested party may obtain a copy of the Rights Plan by contacting the Corporate Secretary, Enbridge Management Services Inc., 3000, 425 – 1st Street S.W., Calgary, Alberta, T2P 3L8, telephone (403) 231-5715, facsimile (403) 231-5929.

Term

The term of the Rights Plan will be ten years from the Effective Date subject to Unitholders reconfirming the Rights Plan by a majority vote at a meeting held on or prior to June 30, 2006 and at every third annual meeting thereafter. Where any such approval is not obtained, the Rights Plan will then cease to have effect.

Issue of Rights

On the Effective Date, one right (a “Right”) will be issued and attach 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”. Accordingly, if a Unitholder (other than Enbridge) holds 20% or more of the outstanding Trust Units on the Effective Date, including as a consequence of the settlement of “when issued” trades, the Rights Plan will be triggered. 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 will be 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 with the Unitholders of the Fund whereby such Unitholders agree to tender their Trust Units to the take-over bid (the “Subject Bid”) without a Flip-in Event occurring. Any such agreement must either: (i) permit the Unitholder to withdraw the Trust Units from the lock-up to tender to another take-over bid or to support another transaction that in either case will provide greater value to the Unitholder than the Subject Bid; or (ii) permit the Unitholder to withdraw from the agreement in order to tender or deposit the Trust Units to another transaction or to support another transaction that contains an offering price that exceeds the value of the Subject Bid by as much or more than a specified amount as long as the agreement does not provide for a specified amount that exceeds 7% of the value of the Subject Bid.

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 which 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 \$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 conduct of the affairs of, and the ownership, operation and lease of assets and property in connection with the business of energy transportation 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 transportation and restricted to 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. Upon Closing, there will be 1,543,563 ECT Units outstanding (all of which will be owned by the Fund) and 40,648,750 ECT Preferred Units outstanding (all of which will be owned by Enbridge). If the Over-Allotment Option is exercised in whole or in part, the number of ECT Units outstanding will be increased and Enbridge will exercise its Liquidity Right for a number of ECT Preferred Units equal to the number of Over-Allotment Units issued. See “— Liquidity Rights of Holders of ECT Preferred 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, provided that prior to Closing ECT may have a minimum of one trustee. The number of ECT Trustees shall be determined from time to time by resolution of the ECT Trustees. From and after the Closing the number of ECT Trustees shall be fixed at seven until such time as the ECT Trustees pass a resolution to fix the number of ECT Trustees at a new number. 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 initial ECT Trustees will expire at the first annual meeting of ECT Unitholders after the establishment of ECT and, thereafter, at each annual meeting of ECT Unitholders or 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 will be 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 following Closing without first obtaining the written approval of a majority of Independent ECT Trustees. While the Manager will be 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 will be 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 will be 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.

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 (v) 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 “Enbridge Income Fund — Objectives and Business Strategy — Acquisition and Investment Guidelines”.

Distributions

ECT intends to make 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 15th 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.

Distributable cash of ECT in respect of a distribution period will generally consist of all amounts of cash received by ECT, for and in respect of the distribution period in question together with all cash amounts that may be transferred from any reserve amount maintained by ECT, less all liabilities of ECT which may reasonably be considered to have accrued and become owing in respect of the distribution period in question or a prior distribution period (if not accrued in such prior period), amounts that may be paid by ECT in connection with any cash redemptions of ECT Units or ECT Preferred Units, amounts that relate to repayment of any indebtedness of ECT during the distribution period in question, and amounts which the ECT Trustees may reasonably consider necessary to provide for payment of any liabilities which have been or will be incurred by ECT in connection with pursuing any purpose or activity of ECT and amounts for reasonable reserves.

Distributions shall be paid in cash, provided that if the Manager or the ECT Trustees determine that ECT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment of a distribution may be effected by the issuance of additional units of ECT having an aggregate value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Manager or the ECT Trustees to be available for the payment of such declared distribution. An ECT Unitholder is entitled to receive only units of the same class in respect of which such distribution was declared. The value of each ECT Preferred Unit will be the “market price” (as determined in accordance with the Fund Trust Indenture) of an Ordinary Unit. The value of the ECT Units so issued will be determined by a formula calculation which is set forth in the ECT Trust Indenture and which is equivalent to the redemption price (as then applicable) in respect of the ECT Units. See “— Redemption of ECT Units”.

Unit Certificates

Interests in the ECT Units and the ECT Preferred Units will be registered and ECT Unitholders will be entitled to receive certificates therefor on demand. ECT Units are not intended to be issued to or held by any person other than the Fund and ECT Preferred Units are not intended to be issued to or held by any person other than Enbridge.

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 60th 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, the net price per Ordinary Unit that would have been realized had an offering by the Fund of Ordinary Units been completed. 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 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. The redemption price for each ECT Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C}{D}$$

where:

A = the cash redemption price per Ordinary Unit calculated as of the close of business on the date the ECT Units were so tendered for redemption by the ECT Unitholder;

B = the aggregate number of Trust Units outstanding as of the close of business on the date the ECT Units were so tendered for redemption by the ECT Unitholder;

C = the aggregate unpaid principal amount of the ECT Notes owned by the Fund and accrued but unpaid interest thereon, any other indebtedness of, or liabilities owed by, ECT to the Fund, and the fair market value of all other assets or investments owned by the Fund (other than ECT Units, ECT Preferred Units and ECT Notes), as of the close of business on the date the ECT Units were so tendered for redemption by the ECT Unitholder; and

D = the aggregate number of ECT Units outstanding as of the close of business on the date the ECT Units were so tendered for redemption by the ECT Unitholder.

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.

The aggregate redemption price payable by ECT in respect of any ECT Units tendered for redemption by the holders thereof during any month shall be satisfied, at the option of the ECT Trustees (i) by cheque in immediately available funds, (ii) by the issuance, to or to the order of the holder whose ECT Units are to be redeemed, of such aggregate principal amount of ECT Series 2 Notes as is equal to the aggregate redemption price payable to such ECT Unitholder rounded down to the nearest \$100, with the balance of any such aggregate redemption price not paid in ECT Series 2 Notes to be paid by cheque; or (iii) by any combination of cash and ECT Series 2 Notes as the ECT Trustees shall determine in their discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which the ECT Units were so tendered for redemption. An ECT Unitholder whose ECT Units are to be tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive the ECT Series 2 Notes pursuant to paragraph (ii) above in the place of all or part of the cash otherwise payable, with the principal amount of such ECT Series 2 Notes to be equal to the amount of cash otherwise payable rounded down to the nearest \$100. In the case of ECT Units called for redemption by ECT, the aggregate redemption price payable by ECT to the ECT Unitholders whose ECT Units have been so called for redemption shall be satisfied by payment by cheque, in immediately available funds.

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 will be precluded from voting on such a transaction or contract, except in certain specified circumstances. An ECT Trustee who is not an Independent ECT Trustee will, notwithstanding disclosure of interest in a transaction or contract, be entitled to vote in respect thereof unless the Independent ECT Trustees make a determination (by majority vote) that such 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 intend to delegate 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.

Upon Closing, ECT will be capitalized by the Fund investing, in aggregate, \$308.7 million, consisting of approximately \$15.4 million in consideration for 1,543,563 ECT Units and ECT Series 1 Notes with an aggregate principal amount of approximately \$293.3 million. If the Over-Allotment Option is exercised in full, the Fund’s aggregate investment in ECT will be \$333.6 million, consisting of approximately \$16.7 million in consideration for 1,667,922 ECT Units and ECT Series 1 Notes with an aggregate principal amount of approximately

\$316.9 million. Immediately following the Closing, the Fund will own all of the ECT Notes and all of the ECT Units.

ECT Notes will be issuable in series under the ECT Note Indenture. ECT Series 2 Notes will be 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 will be 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.

Interest and Maturity

The ECT Series 1 Notes to be issued at Closing will be payable on demand and will bear interest at 1.0% per annum, payable monthly, in arrears, with such payment to be made on the 15th day of the month following the month to which such payment relates. Each ECT Series 2 Note will mature on a date determined at the time of issuance (provided that in no event shall the maturity date be set at a date subsequent to the first business day following the 5th anniversary of the date of issuance of such note) and bear interest at a market rate of interest determined at the time of issuance, in each case as determined by the ECT Trustees, and the interest shall be payable monthly, in arrears, with such payment to be made on the 15th day of the month following the month to which such payment relates. Each ECT Series 3 Note will mature on the 20th anniversary of the date of issuance thereof and bear interest at a market rate of interest to be determined by the ECT Trustees at the time of issuance thereof, and the interest shall be payable monthly, in arrears, with such payment to be made on the 15th day of the month following the month to which such payment relates.

Payment upon Maturity

Except as otherwise provided under the ECT Note Indenture, on maturity (which, in the case of any ECT Series 1 Note, 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 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 *pari passu* 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 *pari passu* with one another and rank prior to the ECT Series 1 Notes.

The ECT Notes will be unsecured debt obligations of ECT.

Default

The ECT Note Indenture will provide 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.

DESCRIPTION OF LP

LP is a limited partnership established under the laws of Alberta to carry on the business of the provision of management and administrative services and the direct and indirect ownership, operation and lease of assets and property in connection with the transportation of energy, including the Canadian Pipeline Interests, and all activities ancillary or incidental thereto, and shall be permitted to make investments and hold other direct or indirect rights in vehicles involved in such businesses, and engage in all activities ancillary or incidental thereto. At Closing, GP will be the sole general partner of LP. LP is authorized to issue an unlimited number of LP Units and an unlimited number of Class B Units, issuable in series.

In conjunction with the completion of the offering, LP will issue to ECT, LP Units representing a 99.99% interest in LP in consideration for cash in an amount equal to \$715.1 million. See “Use of Proceeds”. LP will own indirectly a 49.5% interest in the Alliance Canada Pipeline, a 50% interest in Alliance GP and a 100% interest in Enbridge Saskatchewan.

In the event of dissolution of LP, and after payment of debts and liabilities of LP, any remaining assets shall: (i) be distributed first to holders of units of LP in an amount equal to all capital contributions paid in respect of such units; and (ii) if there are any assets remaining, to the holders of units of LP, *pro rata*.

LP Units

Holders of LP Units will be entitled to notice of, and to attend and vote at, all meetings of holders of units of LP. Holders of LP Units will be entitled to distributions of distributable cash for the distribution period, less distributions properly payable on any other class of units in priority to distributions on the LP Units.

IP Holdings Services Agreement

Pursuant to the IP Holdings Services Agreement, LP will provide, on an exclusive basis, all management services as may be required or advisable, from time to time, in order to operate and administer the business of IP Holdings including: (i) overseeing the business and affairs; (ii) assisting in developing, implementing and monitoring a strategic plan; (iii) assisting in developing strategies and investigating potential acquisitions and analyzing the feasibility of potential acquisitions; (iv) carrying out acquisitions or dispositions and related financings; (v) preparing an annual management plan; (vi) assisting in connection with any financings; (vii) assisting with the preparation, planning and co-ordination of meetings of the directors and shareholders of IP Holdings; and (viii) providing oversight and direction of the investment in Alliance Canada through representation on the board of directors of Alliance GP.

Credit Facility

LP expects to receive commitments from a syndicate of Canadian chartered banks and other lenders pursuant to which they will make available to LP the Credit Facility on an unsecured basis subject to the obligation of LP to pledge or cause to be pledged all of its shares and ownership interests in its subsidiaries (and its subsidiaries' corresponding shares and ownership interests) and its interests in Alliance Canada if the \$190.0 million portion of the Credit Facility used for such acquisition is not repaid within 364 days. The Credit Facility will be used to finance in part: (i) the acquisition of the Canadian Pipeline Interests from Enbridge; (ii) working capital requirements of LP and its subsidiaries; (iii) the levelization of distribution payments; and

(iv) future acquisitions. It is expected that the principal amount of the Credit Facility will be repayable within two years from Closing, unless repaid earlier or extended in accordance with its terms, and will bear interest at market rates, initially expected to be Canadian bankers' acceptance rate plus 1.0% per annum. The Fund expects to mitigate variable rate interest exposure through hedging and the issuance of fixed rate term debt to repay a portion of the Credit Facility borrowings.

It is expected that the credit agreement relating to the Credit Facility will contain customary representations, warranties, covenants (including financial covenants and prohibitions on incurring additional indebtedness and granting security) and conditions to funding.

USE OF PROCEEDS

The net cash proceeds to the Fund from the sale of the Ordinary Units pursuant to the offering are estimated to be approximately \$163.7 million, after deducting the fees payable to the Underwriters and the estimated expenses of the offering. The net cash proceeds of the offering, together with the approximately \$551.5 million of proceeds realized from Enbridge's subscriptions for Subordinated Units and ECT Preferred Units and the approximately \$190.0 million to be drawn under the Credit Facility, will be used to indirectly acquire the Canadian Pipeline Interests from Enbridge, payable on Closing.

If the Over-Allotment Option is exercised in full, the net cash proceeds to the Fund (after deducting the Underwriters' fees and expenses of the offering) are expected to be approximately \$188.6 million. If the Over-Allotment Option is exercised in full or in part, Enbridge will exercise its Liquidity Right for a number of ECT Preferred Units equal to the number of Over-Allotment Units issued. In such event, the net cash proceeds received by the Fund upon exercise of the Over-Allotment Option will be used to subscribe for ECT Units and ECT Notes, and the proceeds received by ECT will be used to repurchase such ECT Preferred Units.

The specifics of the Fund's use of proceeds are as follows:

- The Fund will use approximately \$293.3 million of the net cash proceeds from this offering and Enbridge's subscription for Subordinated Units to acquire ECT Notes and approximately \$15.4 million to acquire ECT Units.
- ECT will use the proceeds received from the Fund and the proceeds of \$406.5 million received from the issuance of the ECT Preferred Units to Enbridge to acquire LP Units and common shares of GP. GP will use the proceeds received from ECT to acquire LP Units.
- LP will draw approximately \$190.0 million under the Credit Facility.
- LP will use approximately \$719.4 million to make loans to, and equity investments in, its wholly-owned subsidiary, IP Holdings, and approximately \$7.3 million to acquire a 50% interest in Alliance GP from 627149.
- IP Holdings will use the proceeds received from LP to purchase Enbridge's 49.5% limited partnership interest in Alliance Canada.
- LP will use approximately \$178.5 million to make loans to, and equity investments in, its wholly-owned subsidiary, Sask Holdings.
- Sask Holdings will use the proceeds received from LP to purchase all of the common shares of Enbridge Saskatchewan from Enbridge.

CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the consolidated capitalization of the Fund as at May 23, 2003 prior to and after giving effect to the offering, the subscription by Enbridge for Subordinated Units and ECT Preferred Units and the acquisition of the Canadian Pipeline Interests.

	Authorized	Outstanding as at May 23, 2003	Pro forma as at May 23, 2003 after giving effect to the offering, the subscription by Enbridge and the acquisition from Enbridge ⁽⁴⁾⁽⁵⁾
Credit Facility ⁽¹⁾	\$260,000,000	\$ Nil	\$190,000,000
Alliance Canada Debt ⁽²⁾	n/a	\$938,700,000	\$959,396,000
Ordinary Units	Unlimited	\$ 10 (1 Ordinary Unit)	\$175,000,000 (17,500,000 Ordinary Units) ⁽⁶⁾
Subordinated Units ⁽³⁾	Unlimited	\$ Nil (nil Subordinated Units)	\$145,000,000 (14,500,000 Subordinated Units)
ECT Preferred Units ⁽³⁾	Unlimited	\$ Nil (nil ECT Preferred Units)	\$406,487,500 (40,648,750 ECT Preferred Units) ⁽⁶⁾

Notes:

- (1) At Closing, the Manager anticipates that LP will obtain the Credit Facility to be provided to LP by certain chartered banks in the principal amount of \$260.0 million with a 364-day initial period followed by a one-year term out period. See “Description of LP — Credit Facility”.
- (2) Represents the Fund’s 50% interest in Alliance Canada’s consolidated debt.
- (3) Enbridge will subscribe for (i) 14,500,000 Subordinated Units at a price of \$10.00 per Subordinated Unit (representing a direct 45.3% interest in the Fund, or a 41.9% interest if the Over-Allotment Option is exercised in full) and (ii) 40,648,750 ECT Preferred Units at a price of \$10.00 per ECT Preferred Unit, for an aggregate subscription price of \$551,487,500. If the Over-Allotment Option is exercised in full or in part, Enbridge will exercise its Liquidity Right for a number of ECT Preferred Units equal to the number of Over-Allotment Units issued. See “Description of the Fund — Units of the Fund”, “— Subordination”, “Description of ECT — Units of ECT” and “— Liquidity Rights of Holders of ECT Preferred Units”.
- (4) Based on the issuance of 17,500,000 Ordinary Units for an aggregate of \$175,000,000, less the Underwriters’ fee of \$9,187,500 and expenses of the offering estimated to be \$2,100,000, the net proceeds of the issue are estimated to be \$163,712,500. The proceeds from the offering and Enbridge’s subscriptions will be used to partially finance the acquisition of the Canadian Pipeline Interests. See “Plan of Distribution”.
- (5) After giving effect to the acquisition of the Canadian Pipeline Interests. See “Acquisition of Canadian Pipeline Interests”.
- (6) If the Over-Allotment Option is exercised in full, there will be \$201,250,000 in Ordinary Units outstanding (20,125,000 Ordinary Units) and \$380,237,500 in ECT Preferred Units outstanding (38,023,750 ECT Preferred Units).

PRIOR ISSUANCES

The only issuance of securities by the Fund in the 12 months prior to the date of this prospectus was the issuance of one Ordinary Unit to IPL Holdings Inc., which was issued at a price per Ordinary Unit equal to the price offered to the public. The Ordinary Unit issued to IPL Holdings Inc. will be repurchased by the Fund upon Closing.

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 and GP, make decisions and recommendations relating to LP’s investment in the Canadian Pipeline Interests. The senior officers of the Manager are also officers or employees of Enbridge. The Fund, ECT, the Manager, GP, LP and IP Holdings do not have any employees and they will be dependent upon Enbridge 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. The Management Agreement, the LP Limited Partnership

Agreement, the GP Services Agreement, the IP Holdings Services Agreement, the Fund Trust Indenture and the ECT Trust Indenture provide that material transactions between LP (and partnerships and persons in which it has invested), the Fund or ECT, on the one hand, and Enbridge or the Manager or their respective affiliates, on the other hand, must be approved by a majority of the Independent ECT Trustees.

Notwithstanding the foregoing, if the interests of Enbridge come into material conflict with those of the Fund with respect to any matter or transaction, the Manager shall give written notice to the Fund briefly setting forth particulars of such conflict and, thereafter, ECT shall be responsible to take all such actions and make all such decisions relating to the matters giving rise to the conflict of interest and, subject to the Fund's first opportunity to purchase (see "Enbridge Income Fund — Objectives and Business Strategy — Opportunity to Purchase Enbridge Assets") and unless otherwise agreed, neither Enbridge nor the Manager shall be obligated to offer any business opportunities to the Fund.

Enbridge is currently engaged in, and may hereafter become engaged in, further businesses or activities that are, or may be, in competition or conflict with the business carried on by, and/or the interests of, the Fund or its affiliates or associates. Additionally, Enbridge will 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 are in competition or conflict with the business carried on by, or interests of, the Fund if such activities, when objectively viewed (and acting reasonably) as at the time at which such activities are proposed to be engaged in, would constitute, 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.

There are, however, no provisions in the Management Agreement, the Administration Agreement or any other agreement with the Fund which prohibit or restrain Enbridge (or its affiliates, other than the Manager) from continuing to carry on, be engaged in, and develop any business or activity whatsoever where such business or activity is being carried on, engaged in, or developed by Enbridge (or its affiliates, other than the Manager) as at the date hereof, irrespective of whether or not such business or activity may be viewed as materially adverse to the financial affairs of the Fund.

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", "Use of Proceeds", "Fund Trustees and Management — The Manager" and "Principal Unitholder".

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Fund, and Fraser Milner Casgrain LLP, counsel to the Underwriters, the following summary fairly describes the principal Canadian federal income tax considerations pursuant to the Tax Act and the regulations thereunder generally applicable to a subscriber who acquires Ordinary Units hereunder and who, for the purposes of the Tax Act, is a resident of Canada, holds Ordinary Units as capital property and deals at arm's length with the Fund and the Underwriters. Generally, the Ordinary Units will be considered to be capital property to a holder of Ordinary Units provided that the holder of Ordinary Units does not hold the Ordinary Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders of Ordinary Units who might not otherwise be considered to hold their Ordinary Units as capital property may, in certain circumstances, be entitled to treat Ordinary Units as capital property by making an election under subsection 39(4) of the Tax Act.

This summary is not applicable to a subscriber that is a "financial institution" or to a subscriber an interest in which would be a "tax shelter investment", each as defined in the Tax Act.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Proposed Amendments"), Counsel's understanding of the current published administrative practices and assessing policies of the CCRA and certificates as to certain factual matters

provided by the Manager. This summary assumes that the Proposed Amendments will be enacted substantially in the form proposed, although no assurance can be given in this regard.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be nor should it be construed to be legal or tax advice to any particular holder of Ordinary Units and no representations with respect to the income tax consequences to any particular holder of Ordinary Units are made. Consequently, prospective holders of Ordinary Units should consult their own tax advisors with respect to their particular circumstances.

Status of the Fund

Based on certain factual representations and on the assumption that the Fund elects under the Tax Act to be a “mutual fund trust” from its creation, the Fund qualifies as a “mutual fund trust” under the Tax Act and this summary assumes that it will continue to so qualify at all times. In order to qualify as a “mutual fund trust” at any particular time, the following requirements must be met at that time: (a) there must be at least 150 holders of Ordinary Units, each of whom owns not less than one “block” of Ordinary Units and owns Ordinary Units having a fair market value of not less than \$500, with a block of Ordinary Units meaning 100 Ordinary Units if the fair market value of one Ordinary Unit is less than \$25; (b) the Fund cannot reasonably be considered to be established or maintained primarily for the benefit of persons who are not resident in Canada; and (c) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests therein) and the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the Fund, or a combination of the above activities. The Fund has certain restrictions on its activities and its powers and certain rights against non-resident holders of Ordinary Units such that it is reasonable to expect that these requirements will be satisfied. In the event the Fund were not to so qualify as a mutual fund trust at a particular time, the income tax considerations would be materially different in certain respects from those described herein and the Fund could be liable to pay tax under Part XII.2 of the Tax Act.

Taxation of LP

LP is not subject to tax under the Tax Act. Each partner of LP, including ECT, is required to include in computing income the partner’s share of the income or loss of LP, subject to the application of the “at risk” rules referred to below, whether or not any such income is distributed to the partner. For this purpose, the income or loss of LP will be computed for each fiscal year as if LP were a separate person resident in Canada. In computing the income or loss of LP, LP is entitled to deduct its reasonable administrative and other expenses. The income or loss of LP for a fiscal year will be allocated to the partners of LP, including ECT, on the basis of their respective shares of such income or loss.

Dividends received by LP on its shares of a taxable Canadian corporation will retain their character as dividends in the hands of the partners of LP, including ECT. Distributions received by LP as a return of stated capital on its shares of a corporation will not be required to be included in computing the income of LP (provided that the stated capital returned does not result in a deemed dividend and does not exceed LP’s adjusted cost base of such shares), but will reduce the adjusted cost base of the shares on which such distribution of capital is made. If in any fiscal year of LP the adjusted cost base of any shares held by LP otherwise would be less than nil, the negative amount will be deemed to be a capital gain realized by LP from the disposition of such shares in its fiscal year in which the negative amount arises, and the adjusted cost base of such shares will be set at nil.

If LP incurs losses for tax purposes, ECT will be entitled to deduct in computing its income its *pro rata* share of any net losses of LP to the extent that ECT’s investment is considered to be “at risk” within the meaning of the Tax Act. In general, the amount considered to be “at risk” for an investor in a limited partnership for any taxation year will be the adjusted cost base of the investor’s partnership interest at the end of the year, plus any

undistributed income allocated to the limited partner for the year and minus the amount of any guarantee or indemnity provided to a limited partner against the loss of the limited partner's investment.

Taxation of ECT

ECT is subject to taxation in each taxation year on its income for the year, including net realized taxable capital gains, less the portion thereof that is paid or payable in the year to the Fund and to Enbridge (as the only two ECT Unitholders) and is deducted by ECT in computing its income for purposes of the Tax Act. An amount will be considered to be payable by ECT to the Fund or Enbridge in a taxation year if the amount is paid by ECT in that year or the Fund or Enbridge is entitled in that year to enforce payment of the amount by ECT. The taxation year of ECT is the calendar year.

Provided that the appropriate designations are made by ECT in respect of the portion of ECT's income from LP that constitutes dividends received by LP on its shares of a taxable Canadian corporation, ECT will be deemed not to have received such dividends; instead, such dividends will be deemed to have been received by the Fund and Enbridge (as the only two ECT Unitholders).

In computing its income for tax purposes, ECT may deduct reasonable administrative and other expenses that it incurs to earn income. Under the ECT Trust Indenture, an amount equal to all of the income of ECT for each taxation year, together with the taxable and non-taxable portion of any capital gains realized by ECT in the year, net of ECT's expenses, will be payable to the Fund and to Enbridge, as the only two ECT Unitholders, by way of distributions of cash or additional ECT Units (in the case of the Fund) or ECT Preferred Units (in the case of Enbridge). For the purposes of the Tax Act, ECT intends to deduct in computing its income the full amount available for deduction in each year to the extent of its taxable income otherwise determined. Therefore, it is expected that ECT will not be liable for any material tax under the Tax Act. However, no assurances can be given in this regard.

The adjusted cost base of the LP Units held by ECT will be increased at a particular time by ECT's share of the amount of income of LP for a fiscal year of LP ended before that time, and will be reduced by all distributions of cash or other property made by LP to ECT before that time. If at the end of any fiscal year of LP, the adjusted cost base of LP Units held by ECT would otherwise be less than nil, the negative amount will be deemed to be a capital gain realized by ECT from the disposition of such LP Units at the end of that fiscal year of LP and the adjusted cost base of such LP Units will be set at nil.

Taxation of the Fund

The Fund is subject to taxation in each taxation year on its income for the year, including net realized taxable capital gains, less the portion thereof that is paid or payable in the year to holders of Trust Units and is deducted by the Fund in computing its income for purposes of the Tax Act. An amount will be considered to be payable in a taxation year to a holder of Trust Units if it is paid in the year by the Fund or the holder of Trust Units is entitled in the year to enforce payment of the amount. The taxation year of the Fund is the calendar year.

The Fund is required to include in its income for each taxation year all interest on ECT Notes that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. The Fund also will be required to include in computing its income for each taxation year its share of the net income of ECT paid or payable to the Fund in the year. In computing its income for tax purposes the Fund may deduct reasonable administrative and other expenses incurred to earn income and may amortize, over a five-year period, subject to pro-ration for short taxation years, the underwriting fees and other expenses of the offering hereunder.

Provided that appropriate designations are made by ECT and the Fund in respect of dividends received by LP on the shares of a taxable Canadian corporation, such dividends will be deemed not to be received by the Fund but, instead, to be received by the holders of Trust Units.

Under the Fund Trust Indenture, an amount equal to all of the income of the Fund for each year, together with the taxable and non-taxable portion of any capital gains realized by the Fund in the year (excluding capital

gains which may be realized by the Fund on a redemption of ECT Units in connection with a redemption of Trust Units), net of the Fund's expenses will be payable to holders of the Trust Units by way of distributions of cash or additional Trust Units, subject to the exceptions described below.

Under the Fund Trust Indenture, income of the Fund may be used to finance cash redemptions of Trust Units and for certain other limited purposes, and accordingly such income so utilized will not be payable or paid to holders of the Trust Units by way of cash distributions but rather will be payable and paid to such holders in the form of additional Trust Units ("Reinvested Trust Units").

A redemption of ECT Units that is effected by the issuance of ECT Notes and the distribution by the Fund to a holder of Trust Units of such ECT Notes upon a redemption of Trust Units will be treated as a disposition by the Fund of such ECT Units redeemed for proceeds of disposition equal to the fair market value thereof and may give rise to a taxable capital gain to the Fund. The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption or retraction of Trust Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund for a particular taxation year may not completely offset the Fund's tax liability for such taxation year as a result of the redemption of ECT Units upon the redemption of Trust Units.

Counsel has been advised by the Fund that, for the purposes of the Tax Act, the Fund intends to deduct in computing its income the full amount available for deduction in each year to the extent of its taxable income otherwise determined. Therefore, as a result of such deduction from income and the Fund's entitlement to a Capital Gains Refund, it is expected that the Fund will not be liable for any material tax under the Tax Act. However, no assurances can be given in this regard.

The non-taxable portion of any net realized capital gain of ECT (being one-half thereof) that is paid or payable to the Fund in a year will not be included in computing the Fund's income for the year. Any other amount in excess of the net income of ECT that is paid or payable to the Fund in a year generally should not be included in the Fund's income for the year. However, such an amount received by the Fund (other than proceeds of disposition in respect of the redemption of ECT Units) will reduce the adjusted cost base of the ECT Units held by the Fund, except to the extent that the amount either was included in the income of the Fund or was the Fund's share of the non-taxable portion of the net capital gains of ECT, the taxable portion of which was designated by ECT in respect of the Fund. To the extent that the adjusted cost base of an ECT Unit otherwise would be less than nil, the negative amount will be deemed to be a capital gain realized by the Fund from the disposition of ECT Units in the year in which the negative amount arises and the adjusted cost base of such ECT Units will be set at nil.

Taxation of Taxable Holders of Ordinary Units

The cost for tax purposes of an Ordinary Unit acquired pursuant to this offering will be the subscription price of the Ordinary Unit. In computing the adjusted cost base of a holder of Ordinary Units, the cost of Ordinary Units acquired under this offering must be averaged with the cost of any other Ordinary Units held as capital property at that time.

A holder of Ordinary Units generally will be required to include in computing income for a particular taxation year of the holder of Ordinary Units as income from property the portion of the net income of the Fund, including net realized taxable capital gains, that is paid or payable to the holder of Ordinary Units in that taxation year, notwithstanding that any such amount is payable in Reinvested Trust Units or that cash distributions are automatically reinvested in additional Ordinary Units under the Distribution Reinvestment Plan.

Provided that appropriate designations are made by ECT and the Fund, such portions of the Fund's taxable dividends on shares of taxable Canadian corporations and net taxable capital gains that are paid or payable to a holder of Ordinary Units will effectively retain their character and be treated as dividends and taxable capital gains, respectively, in the hands of the holder of Ordinary Units for purposes of the Tax Act. Such dividends will be subject to the gross-up and dividend tax credit provisions of the Tax Act for holders of Ordinary Units who are individuals, the refundable tax under Part IV applicable to holders of Ordinary Units that are "private

corporations” and certain other corporations and the deduction in computing taxable income applicable to holders of Ordinary Units that are taxable Canadian corporations. Such dividends or net taxable capital gains may increase an individual Ordinary Unit holder’s liability for alternative minimum tax.

The non-taxable portion of any net realized capital gains of the Fund (being one-half thereof) that is paid or payable to a holder of Ordinary Units in a year will not be included in computing the Ordinary Unit holder’s income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a holder of Ordinary Units in a year generally should not be included in the Ordinary Unit holder’s income for the year. However, such an amount received by a holder of Ordinary Units (other than as proceeds of disposition in respect of the redemption of Ordinary Units) will reduce the adjusted cost base of the Ordinary Units held by such holder of Ordinary Units, except to the extent that the amount either was included in the income of the holder of Ordinary Units or was the Ordinary Unit holder’s share of the non-taxable portion of the net capital gains of the Fund, the taxable portion of which was designated by the Fund in respect of the holder of Ordinary Units. To the extent that the adjusted cost base of an Ordinary Unit otherwise would be less than nil, the negative amount will be deemed to be a capital gain realized by the holder of Ordinary Units from the disposition of Ordinary Units in the year in which the negative amount arises, and the adjusted cost base of such Ordinary Units will be set at nil.

Reinvested Trust Units issued to a holder of Ordinary Units in lieu of a cash distribution of income will have a cost to the holder of Ordinary Units equal to the amount of income of the Fund distributed by the issuance of such Reinvested Trust Units. Under the Tax Act, Reinvested Trust Units and any other Ordinary Units already owned by a holder of Ordinary Units will be “identical properties”, the adjusted cost base of which will be required to be calculated on a moving average basis. A new average adjusted cost base of each Ordinary Unit is calculated at the time of each purchase, receipt of Reinvested Trust Units or other acquisition of Ordinary Units. The adjusted cost base of Ordinary Units disposed of is based on such average as calculated immediately prior to the disposition.

Upon the disposition or deemed disposition by a holder of Ordinary Units of an Ordinary Unit, whether on redemption or otherwise, the holder of Ordinary Units generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the Fund which represents an amount that must otherwise be included in the Ordinary Unit holder’s income as described herein) are greater (or less) than the aggregate of the Ordinary Unit holder’s adjusted cost base of the Ordinary Unit immediately before such disposition and any reasonable costs of disposition. Where Ordinary Units are redeemed by the distribution of ECT Notes to the holder of Ordinary Units, the proceeds of disposition to the holder of Ordinary Units of such Ordinary Units generally will be equal to the Fund’s cost amount of the ECT Notes so distributed.

One-half of any capital gain realized by a holder of Ordinary Units and the amount of any net taxable capital gains designated by the Fund in respect of the holder of Ordinary Units will be included in the Ordinary Unit holder’s income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized on the disposition of an Ordinary Unit may be deducted against any taxable gains realized by the holder of Ordinary Units in the year of disposition, in the three preceding taxation years or any subsequent taxation year, subject to the detailed rules contained in the Tax Act.

The cost to a holder of Ordinary Units of any ECT Notes distributed to the holder of Ordinary Units by the Fund upon a redemption of Ordinary Units, or upon the termination of the Fund, will be equal to the fair market value of such ECT Notes at the time of the distribution excluding any accrued interest thereon. Such a holder of Ordinary Units will be required to include in income interest on such ECT Notes (including interest that had accrued to the date of the distribution of the ECT Notes to the holder of Ordinary Units) in accordance with the provisions of the Tax Act. To the extent that the holder of Ordinary Units is required to include in income any interest that had accrued to the date of the distribution of the ECT Notes, an offsetting deduction will be available in computing his income from the Fund.

Taxable capital gains, resulting from either a disposition of Ordinary Units by a holder of Ordinary Units who is an individual or the designation by the Fund in respect of such a holder of Ordinary Units, may give rise to alternative minimum tax depending on the Ordinary Unit holder’s circumstances. A holder of Ordinary Units

that is a “Canadian-controlled private corporation” as defined in the Tax Act may be liable to pay additional refundable tax of 6⅓% on certain investment income including taxable capital gains and interest.

The Fund has advised Counsel that it is of the view that, having regard to the remoteness of the possibility that a Flip-in Event under the Rights Plan will occur such that the Rights will ever become exercisable (see “Description of the Fund — Unitholder Rights Plan”), the Rights will have no value at the time of their acquisition. If a holder of Ordinary Units is considered to have acquired the Ordinary Unit and the Right as two separate properties, the holder of Ordinary Units will be required to allocate the purchase price between the Ordinary Unit and the Right attached thereto to determine their respective costs for purposes of the Tax Act. If a holder of Ordinary Units is considered to have acquired the Ordinary Unit and to have received the Right from the Fund as a benefit, the holder of Ordinary Units will be required to include in computing his income for the year of acquisition the fair market value of the Right in that year. On the assumption that the fair market value of a Right received on the acquisition of a Ordinary Unit is of no value, it would be reasonable to allocate the full amount of the purchase price to the Ordinary Unit and nothing to the Right, and not to include any amount in computing the Ordinary Unit holder’s income for the year from the Fund in respect of the Right. Although a holder of Rights may be required to recognize income if the Rights were to become exercisable or be exercised, the occurrence of such an event is considered by the Fund to be a remote possibility. In the unlikely event that Rights are disposed of separately for proceeds of disposition greater than nil, a holder thereof may realize a capital gain.

Tax Exempt Holders of Ordinary Units

Provided the Fund qualifies as a mutual fund trust, the Ordinary Units will be qualified investments under the Tax Act for trusts governed by Plans. If the Fund ceases to qualify as a mutual fund trust, Ordinary Units will cease to be qualified investments for Plans. Where at the end of a month, a Plan holds Ordinary Units that are not qualified investments, the Plan will be required to pay a tax under Part XI.1 of the Tax Act, in respect of that month, equal to 1.0% of the fair market value of the Ordinary Units at the time such Ordinary Units were acquired by the Plan and, in the case of a registered education savings plan, its registration may be revoked. In addition, where a trust governed by a registered retirement savings plan or a registered retirement income fund holds Ordinary Units that are not qualified investments, such trust will become taxable on income attributable to the Ordinary Units. Additional adverse tax consequences may also apply to a Plan, or an annuitant thereunder, if the Plan acquires or holds property that is not a qualified investment for the plan.

Where a Plan receives ECT Notes as a result of a redemption of Ordinary Units, such ECT Notes will not be qualified investments for the Plan under the Tax Act, and this will give rise to adverse consequences to the Plan or the annuitant thereunder. Accordingly, Plans that own Ordinary Units should consult their own tax advisors before deciding to redeem Ordinary Units.

Provided that at the end of a particular year the Fund will have no assets other than \$293.3 million invested in ECT Notes and \$15.4 million invested in ECT Units (or \$316.9 million and \$16.7 million, respectively, if the Over-Allotment Option is exercised in full) and provided the Fund qualifies as a mutual fund trust, the Ordinary Units will not be foreign property for Plans (other than registered education savings plans), registered pension plans or other persons subject to tax under Part XI of the Tax Act. Registered education savings plans are not subject to tax under Part XI of the Tax Act.

ELIGIBILITY FOR INVESTMENT

Subject to the assumptions, limitations and restrictions described under “Canadian Federal Income Tax Considerations”, in the opinion of McCarthy Tétrault LLP, counsel to the Fund, and Fraser Milner Casgrain LLP, counsel to the Underwriters, as at the date of this prospectus, the Ordinary Units at Closing will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans and will not be foreign property within the meaning of the Tax Act. See “Canadian Federal Income Tax Considerations”.

RATING OF ORDINARY UNITS

DBRS has assigned a preliminary 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 preliminary 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.

PRINCIPAL UNITHOLDER

Concurrent with the Closing of the offering, Enbridge will subscribe for (i) 14,500,000 Subordinated Units at a price of \$10.00 per Subordinated Unit (representing a direct 45.3% interest in the Fund, or a 41.9% interest if the Over-Allotment Option is exercised in full) and (ii) 40,648,750 ECT Preferred Units at a price of \$10.00 per ECT Preferred Unit, for an aggregate subscription price of approximately \$551.5 million. If the Over-Allotment Option is exercised in full or in part, Enbridge will exercise its Liquidity Right for a number of ECT Preferred Units equal to the number of Over-Allotment Units issued.

PLAN OF DISTRIBUTION

Under the Underwriting Agreement, the Fund has agreed to issue and sell and the Underwriters have agreed to purchase, as principal, on June 30, 2003 or such other date as may be agreed upon, but not later than August 11, 2003, subject to the terms and conditions stated therein, 17,500,000 Ordinary Units offered hereby at a price of \$10.00 per Ordinary Unit payable in cash for aggregate consideration of \$175,000,000 to the Fund. The Fund has agreed to pay the Underwriters a fee of \$0.525 per Ordinary Unit for their services in connection with the offering. The Ordinary Units are being sold on a firm underwritten basis. Each of the Fund, the Manager and Enbridge has agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities including civil liabilities under Canadian provincial securities legislation or to contribute to payments the Underwriters may be required to make in respect thereof.

Prior to this offering, there was no market through which the Ordinary Units could be sold. Accordingly, the terms of the offering of the Ordinary Units were established through negotiation between Enbridge, the Manager and the Fund, on the one hand, and the Underwriters, on the other hand.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all Ordinary Units agreed to be purchased under the Underwriting Agreement if any Ordinary Units are purchased under the Underwriting Agreement. The lenders under the Credit Facility did not play a role in the negotiation of the terms, structuring or pricing of the offering under this prospectus; however, the lenders have been advised of this offering and its terms.

Insiders of the Fund, consisting of ECT Trustees, officers of the Manager, directors and officers of Enbridge and its subsidiaries and other employees of Enbridge involved in the establishment of the Fund, will be allotted by the Underwriters a total of 350,000 Ordinary Units, or 2.0% of the total amount to be distributed under the Offering (1.7% if the Over-Allotment Option is exercised in full).

The Fund has granted the Over-Allotment Option to the Underwriters, exercisable in whole or in part within 30 days from Closing, to purchase up to 2,625,000 additional Ordinary Units on the same terms as set

forth in this prospectus to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the Underwriters' fee and net proceeds to the Fund (before expenses) will be \$10,565,625 and \$190,684,375, respectively. This prospectus qualifies the distribution of the Over-Allotment Option and the issuance and distribution of the additional Ordinary Units issuable on the exercise of the Over-Allotment Option.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Ordinary Units. The foregoing restriction is subject to exceptions, including a bid or purchase permitted under the by-laws and rules of the Toronto Stock Exchange relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Ordinary Units. In connection with this offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price for the Ordinary Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Each of the Underwriters is an affiliate of a Canadian chartered bank which will be a lender to LP and to which LP is intended to become indebted pursuant to the Credit Facility. Consequently, the Fund may be considered to be a connected issuer of the Underwriters for the purposes of securities regulations in certain provinces. None of the proceeds from the offering will, however, be used to repay the Credit Facility, and the Underwriters will not derive any benefit from this offering other than their receipt of the underwriters' fee described herein which is payable by the Fund.

The Ordinary Units have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "U.S. Securities Act") and, subject to certain exemptions, may not be offered or sold within the United States or to or for the account of a U.S. Person (as defined in the U.S. Securities Act). The Underwriters have agreed that they will not offer, sell or deliver the Ordinary Units offered hereby within the United States or to or for the account of U.S. Persons except with the consent of the Fund and pursuant to an exemption from registration under the U.S. Securities Act. In addition, until 40 days after the commencement of the offering, an offer or sale of additional Ordinary Units within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with available exemptions under the U.S. Securities Act.

The Fund and Enbridge have each agreed that it will not, without the prior consent of BMO Nesbitt Burns Inc. pursuant to the Underwriting Agreement, which consent may not be unreasonably withheld, authorize, issue or sell any Ordinary Units or any securities giving the right to acquire Ordinary Units or agree or announce the intention to do so, at any time prior to the date which is 180 days following the Closing.

RISK FACTORS

Risk Factors Relating to the Alliance Canada Pipeline

Exposure to Shippers

Alliance Canada is highly dependent upon the Shippers for revenues from Contracted Capacity on the Alliance Canada Pipeline. The failure of the Shippers to perform their contractual obligations under the transportation contracts could have an adverse effect on the cash flows and financial condition of Alliance Canada and could impair the ability of Alliance Canada to meet its debt obligations and make distributions to its limited partners. A prolonged economic downturn in the energy industry, among other things, could impact the ability of some or all of the Shippers to fulfill their obligations under the transportation contracts.

Currently, approximately 22% of the aggregate Contracted Capacity is held by Shippers who do not have an Investment Grade Rating or Acceptable Credit Status and who have been required to provide security to Alliance Canada. The security currently held by Alliance Canada with respect to these Shippers varies, but in no case does it fully cover more than one year's obligations under the transportation contracts.

If Alliance Canada commits a breach of a transportation contract, the affected Shipper may terminate such agreement by giving Alliance Canada 120 days' notice. However, if such breach is cured within the notice period, the termination is not effective.

The ability to replace an existing transportation contract whose Shipper has terminated or breached its obligations with a substitute agreement having substantially equivalent terms and conditions is uncertain and depends on a number of factors beyond the control of Alliance Canada, including, (i) the supply of natural gas in the WCSB, (ii) competition from alternative sources of natural gas supply and from other providers of natural gas transportation services, and (iii) the price of, and demand for, natural gas and natural gas transportation services in markets served by the Alliance System.

Moreover, a replacement shipper may choose to receive service at Alliance Canada recourse rates rather than the negotiated rates contained in the transportation contracts. While these recourse rates are currently higher than the negotiated rates, there is no guarantee that this relationship will continue. In the event that the recourse rates become lower than the negotiated rates, new shippers may elect to receive service at the recourse rates and the revenues of Alliance Canada generated by such new shippers will accordingly be lower than the revenue that would have been generated by new shippers had they elected the same negotiated rates as the Shippers.

Alliance Canada has put certain controls in place to monitor the creditworthiness of each Shipper. Shippers not maintaining the required creditworthiness may be required to put up security by way of a letter of credit for 12 months of demand charges or other equivalent security. If one or more Shippers fail to comply with one or more of the creditworthiness requirements set forth in the Common Agreement and fail to post the required security or defaults in making required payments, this may result in a default under the Common Agreement. During the continuance of any default under the Common Agreement, Alliance Canada cannot make any distributions or return any capital contributions to limited partners.

Terms of the Transportation Contracts

The Alliance Canada transportation contracts obligate the Shippers to pay demand charges regardless of whether or not the Shippers transport natural gas on the Alliance Canada Pipeline. These charges are subject to limited rights in favour of a Shipper to receive demand charge credits to the extent Alliance Canada is unable, for any reason related solely to the physical capability of the Alliance Canada Pipeline, to transport volumes of natural gas up to the Shipper's Contracted Capacity, which will decrease the actual revenue received by Alliance Canada. The Transportation Rates are calculated on the basis of a deemed contracted capacity of 1.325 bcfd. Accordingly, a failure to pay by any of the Shippers without obtaining a replacement Shipper would decrease the revenues of Alliance Canada because Alliance Canada would not thereby be entitled to increase the Transportation Rates charged to other Shippers, and, consequently, could affect Alliance Canada's ability to meet its debt obligations and make distributions to its limited partners.

Pursuant to the terms of the transportation contracts and in accordance with the negotiated rate principles approved by the NEB, Alliance Canada will only be permitted to recover from the Shippers costs incurred in the construction and operation of the Alliance Canada Pipeline (including construction costs) which are reasonably incurred. There can be no assurance that all costs incurred by Alliance Canada will be recoverable through the Transportation Rates. In addition, Transportation Rates are set in advance, based on anticipated expenses, and adjusted periodically to reflect actual expenses. If actual expenses exceed the estimated expenses in any period, the excess is recoverable in a following year under transportation contracts. There is, however, no assurance that the shortfall can be recovered from defaulting Shippers in the subsequent period.

Ability to Renew Transportation Contracts

The revenue generated by the Alliance Canada Pipeline will be derived from rates that are based on the transportation contracts which, unless renewed, will terminate after their 15-year primary terms. Beyond such primary term, the transportation commitments on the Alliance Canada Pipeline and the associated revenue will depend on various factors, including the level of demand for natural gas in the geographic areas which can be served by pipelines and distribution facilities connected to the Alliance System and the ability and willingness of Shippers having access to the Alliance System, or their suppliers, to supply such demand. Alliance Canada's ability to compete also depends upon general market conditions, which may change. If general market conditions result in the Shippers not renewing the transportation contracts, Alliance Canada may be forced to lower its rates to retain such Shippers. Alliance Canada cannot predict the impact of future economic conditions, fuel conservation measures, environmental regulation, alternate fuel requirements, other

governmental regulation or technological advances, including those respecting fuel economy and energy generating devices, all of which could reduce the demand for natural gas over time.

Dependence on WCSB Reserves

It is expected that all or substantially all of the natural gas shipped on the Alliance Canada Pipeline for the foreseeable future will be produced from the WCSB. Continued sales of WCSB natural gas to serve the Alliance System is dependent on a number of factors over which Alliance Canada has no control, including (i) the level of exploration, drilling, reserves and production of WCSB natural gas and the price of such natural gas, (ii) the accessibility of WCSB natural gas, which may be affected by weather, natural disasters or other impediments to access, (iii) the price and quality of natural gas available from alternative Canadian and United States sources, and (iv) the regulatory environments in Canada and the United States, including the continued willingness of the governments of both countries to permit the export of natural gas from Canada to the United States on a commercially acceptable basis.

Competition

The Alliance System faces competition in pipeline transportation from both existing and proposed projects. Other existing pipelines with a combined capacity of approximately 3.8 bcf/d currently provide natural gas transportation services from the WCSB to the midwestern United States. There are also several proposals to expand existing pipelines serving such areas and markets. Any new or upgraded pipelines could either allow shippers and competing pipelines to have greater access to natural gas markets or offer natural gas transportation services that are more desirable to shippers than those provided by the Alliance Canada Pipeline because of location, facilities or other factors. In addition, these pipelines could charge rates or provide service to locations that result in greater net profit for shippers with the effect of forcing Alliance Canada, for commercial reasons, to lower the Transportation Rates, effective on the expiry of the initial 15-year term of the transportation contracts or otherwise, to avoid losing Shippers, thereby reducing Alliance Canada's cash flow from the transportation contracts.

Any expansion of the Alliance System will be subject to competition from other pipeline systems which could be expanded or integrated to serve the market for shipping natural gas from Alberta to the midwestern United States and eastern Canada.

Limited Operating History

Alliance Canada and the Alliance System have limited operating history, having commenced commercial operations on December 1, 2000. There is no assurance that the period of operations of the Alliance System to date has been sufficient to identify and correct all potentially material operating problems.

Cross-Collateralization and Cross-Defaults Among the Debt Obligations of Alliance Canada and Alliance USA, and Certain Bankruptcy and Insolvency Events Involving Aux Sable Extraction LP

The debt obligations of Alliance Canada and Alliance USA are cross-collateralized. Therefore, in the event of a default of such debt obligations, the assets of Alliance Canada may be used to satisfy the debts of Alliance USA and vice versa. In addition, Alliance Canada's credit facilities are cross-defaulted to the Alliance USA credit facilities and to the occurrence of certain bankruptcy or insolvency events affecting Aux Sable Extraction LP. Aux Sable Extraction LP has made commitments to Alliance USA to extract NGLs from the natural gas shipped on the Alliance System. In certain circumstances, if Aux Sable Extraction LP is in default of such commitments and such default is not remedied within the applicable cure period, then the default will be considered to be an event of default under the credit facilities. See "— Dependence on Interconnected Systems and Facilities".

Future Changes in the Distribution Policy of Alliance Canada

Any decision by Alliance Canada to make a distribution to its limited partners will be 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. A decision by Alliance Canada to reduce or cease all distributions would negatively impact the Fund's overall financial position. The Fund, as a 50% owner of Alliance GP, will have the right to appoint 50% (currently three of six) of the directors to the board of Alliance GP.

Pipeline Operating Risks

As with any comprehensive pipeline system, operation of the Alliance System will involve many risks, including the following: (i) the breakdown or failure of equipment, information systems or processes; (ii) the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects); (iii) failure to keep on hand adequate supplies of spare parts; (iv) operator error; (v) labour disputes; (vi) disputes with interconnected facilities; and (vii) carriers and catastrophic events such as natural disasters, fires, explosions, fractures, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of Alliance Canada. The occurrence or continuance of any of these events could increase the cost of operating the Alliance Canada Pipeline and/or reduce its transportation capacity, thereby impacting cash flow to the extent that Alliance Canada is obligated under the transportation contracts to provide reservation charge credits to the shippers.

The Alliance System operates through interconnections with numerous other facilities such as natural gas processing plants and pipeline systems at its receipt points and pipelines, local distribution companies and the Aux Sable Extraction Facility at or near its terminus. Typical of the pipeline industry, the regulated terms of service (where applicable) and the prevailing business and operating principles, including among other things pressure requirements, nominating procedures and natural gas quality requirements, necessarily differ between and amongst Alliance Canada and those various facilities. Conflicts can arise from these differing requirements in various circumstances. Given the lack of Alliance Canada's control over the requirements adopted by operators of other facilities, no assurance can be given that these differing requirements will not result in operational problems which would reduce Alliance Canada's revenues nor as to the potential materiality or duration thereof.

In early 2002, Alliance experienced mechanical failures including issues relating to compressor dry gas seals, check valves, mainline compressor gas generators and power turbines. Alliance worked closely with the equipment supplier to assess and resolve these problems. These problems led Alliance to initiate temporary reductions in levels of AOS that might otherwise have been offered to Shippers, however firm service capacity continued to be provided and tolls and tariffs for such service were received by Alliance Canada. The modifications are complete and AOS levels have returned to previous levels.

Regulation and Legislation

The Alliance Canada Pipeline is subject to Canadian federal regulation by the NEB. Such regulation relates to, among other things, required permits and approvals, the rates that Alliance Canada may charge for its services, the terms and conditions which apply to its services, the permitted rate of return on equity, the ability of Alliance Canada to recover various categories of costs and the acquisition, construction and disposition of facilities by Alliance Canada. Either on application by a third party or on their own initiative, the NEB may require revisions to the tariff for Alliance Canada, including potentially material changes in applicable Transportation Rates charged or terms and conditions observed by Alliance Canada. In addition, the Alliance Canada Pipeline is required to meet construction, operating and maintenance standards established or administered by the NEB and other federal, local or municipal regulators as applicable. Changes in the regulation of the Alliance Canada Pipeline, including decisions by regulators on the applicable tariff structure or changes in interpretations of existing regulations by courts or regulators, could adversely affect Alliance Canada's results of operations.

There is no assurance that the NEB will continue to permit Alliance Canada to use the present form of tolls. Shippers could (i) file complaints with respect to Alliance Canada's effective toll, and (ii) protest any proposed changes to Alliance Canada's toll, including the terms and conditions of service. In addition, changes in NEB policy or statutory changes could also affect the relationship between Alliance Canada and its Shippers. Cash available for distributions to limited partners (and, indirectly, Unitholders) could also be reduced by an adverse change to Alliance Canada's tolls, rate structures and terms and conditions of service.

The nature and degree of regulation and legislation affecting natural gas companies in Canada and the United States has changed significantly during the past 15 years and there is no assurance that further substantial changes will not occur or that existing policies and rules will not be applied in a new or different manner, including in connection with the production, sale and export of natural gas with a relatively high NGL

content in and from the WCSB. Such regulations and legislation may affect the revenues and creditworthiness of the Shippers, Alliance Canada and/or its limited partners, which may have a material adverse effect on Alliance Canada.

In addition to the foregoing, the removal of natural gas from Alberta and British Columbia requires Shippers to obtain authorization from Canadian provincial regulators while the export of natural gas from Canada requires authorization from the NEB. This authorization is currently typically granted, but there is no guarantee it will continue to be so.

Dependence on Interconnected Systems and Facilities

The Alliance System is comprised of the Alliance Canada Pipeline and the Alliance USA Pipeline. The Alliance System operates as an integrated and mutually dependent pipeline. Therefore, any matters which limit or restrict the ability of the Alliance USA Pipeline to operate will equally affect the ability of the Alliance Canada Pipeline to operate. Alliance Canada may have no control over matters which may adversely affect Alliance USA and/or the Alliance USA Pipeline.

If the Aux Sable Extraction Facility does not provide heat content management services for any reason, whether or not the reason involves a breach by Aux Sable Extraction LP of the restated heat content management agreement dated August 1, 2000 among Alliance USA, Aux Sable Liquids Products LP and Aux Sable Extraction LP, the absence of these services could result in an interruption or curtailment of transportation service on the Alliance Canada Pipeline until such time as such operational problems are rectified or alternative operational procedures are implemented. It is not possible to predict the extent or duration of these operational problems or their precise effect on Alliance Canada.

There is no assurance that the Aux Sable Extraction Facility will remain continuously operational or that Aux Sable Liquid Products LP and Aux Sable Extraction LP will continue business operations indefinitely. Aux Sable Liquid Products LP's business involves processing, refining and marketing NGLs and its profitability will depend in part on the differential in the price of natural gas versus the price of various NGLs in its market area. These differentials are currently quite low from an historic perspective and have remained low for an extended period, which is placing considerable financial strain on enterprises operating in this industry, including Aux Sable Extraction LP. For a short period of time during the first quarter of 2003, gas processing was uneconomic and, as a result, Aux Sable Extraction LP performed the heat contract management services by blending nitrogen into rich gas streams at select interconnections. The availability and prices of alternative energy sources and feedstocks significantly affect demand for NGLs.

Environmental Costs and Liabilities

The operations of the Alliance Canada Pipeline are subject to federal, provincial and local laws and regulations relating to the protection of the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties; imposition of remedial requirements; and even issuance of injunctions to ensure future compliance. Liability under certain environmental laws is strict, joint and several in nature. Risks of substantial costs and liabilities, including those from leaks and explosions, are inherent in pipeline operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property and persons resulting from operations of the Alliance Canada Pipeline. Moreover, it is possible that other developments, such as increasingly stringent federal, provincial or local environmental laws and regulations and enforcement policies thereunder, could result in increased costs and liabilities to Alliance Canada and its competitors in the pipeline industry. It is not possible to predict the effect that any future changes in environmental laws and regulations will have on its future earnings and there can be no assurance that environmental costs incurred by Alliance Canada may be partially or fully recoverable under Alliance Canada's toll.

Pipeline Abandonment Costs

Alliance Canada is responsible for compliance with all applicable laws and regulations regarding the abandonment of the Alliance Canada Pipeline and related facilities at the end of their economic life, which abandonment costs may be substantial. The proceeds of the disposition of certain assets associated with the

pipeline systems owned by Alliance Canada including, in respect of certain pipeline systems, linepack, would be available to offset abandonment costs. However, it is not possible to predict abandonment costs since they will be a function of regulatory requirements at the time and the value of Alliance Canada's assets, including linepack, may then be more or less than abandonment costs. Alliance Canada may, in the future, determine it prudent or be required by applicable laws or regulations to establish and fund one or more reclamation funds to provide for payment of future abandonment costs. Such reserves could decrease funds available for distribution to limited partners and, indirectly, Unitholders.

Easement Rights

Alliance Canada acquired easement rights from approximately 3,100 landowners in order to construct, install and operate its pipeline. These easement rights were obtained through voluntary negotiation and, in certain cases, through statutory rights of entry. There can be no assurance that legal challenges will not be brought with respect to the form, content, or recording of such easements, or to Alliance Canada's compliance with the terms of such easements during the construction and operation of the pipeline. Moreover, these easements require Alliance Canada to compensate the landowner for damages resulting from pipeline construction. While Alliance Canada has entered into construction damage settlements and obtained releases from future claims from some landowners, not all landowners have entered into such settlements. Therefore, Alliance Canada may face construction damage claims from landowners in the courts or before arbitration committees appointed under the NEB.

Adequacy of Insurance

Alliance currently maintains customary insurance of the types and amounts consistent with prudent pipeline practice and applicable law for natural gas transmission systems of a similar size and nature in Canada. Alliance is not obligated to maintain any such insurance if it is not available to Alliance on commercially reasonable terms. There can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which Alliance is insured, or the proceeds of such insurance, will compensate Alliance Canada fully for its losses. The insurance coverage obtained with respect to the Alliance System will be subject to limits and exclusions or limitations on coverage that are considered to be reasonable, given the cost of procuring insurance and current operating conditions. In the event there is a total or partial loss of the Alliance System, there can be no assurance that the insurance proceeds received by Alliance in respect thereof will be sufficient in any particular situation or sufficient to satisfy all indebtedness of Alliance. Further, the pipeline industry is subject to environmental regulations pursuant to federal, state, provincial and local laws of the United States and Canada. A breach of such laws may result in the imposition of fines or the issuance of clean-up orders, which may not be insurable.

Furthermore, in the event of a total or partial loss to the Alliance System, certain items of equipment may not be easily replaced because they are sufficiently expensive and system-specific that replacement units generally are not readily available. Accordingly, notwithstanding that there may be guarantee coverage, warranty coverage or insurance coverage, the location of the Alliance System, the significant cost of some of its equipment, and the extended period needed to manufacture or procure replacement units could give rise to significant delays in replacement and losses of transportation capacity.

Risk Factors Relating to the Enbridge Saskatchewan Systems

Crude Oil Supply and Demand

The operation of the Enbridge Saskatchewan Systems is dependent upon the supply of crude oil from the oil fields which the Enbridge Saskatchewan Systems serve and the demand for crude oil from the refiners in the midwestern United States.

The supply of crude oil is dependent upon a number of variables, including the ability of the reservoirs to maintain production levels, the cost to oil producers of exploring for and producing oil in the region and the price of oil.

Future throughput on the Enbridge Saskatchewan Systems and replacement of oil and gas reserves in the areas serviced by the Enbridge Saskatchewan Systems will be dependent upon the success of producers operating in those areas in exploiting their existing reserve bases and exploring for and developing additional reserves. Without reserve additions, or expansion of the areas serviced by the Enbridge Saskatchewan Systems, throughput on the Enbridge Saskatchewan Systems will decline over time as reserves are depleted. In addition, as reserves are depleted or if product prices for crude oil and liquids decline, production costs may increase relative to the remaining value of the reserves in place and producers may shut-in production, seek out lower cost alternatives for transportation or pressure Enbridge Saskatchewan to reduce tariffs.

The demand for crude oil by refiners is dependent upon a number of factors including the price of crude oil, the cost of operating the refinery and market prices for the various refined products. Historically, refiners in the midwestern United States, the traditional market for crude oil transported on the Enbridge Saskatchewan Systems, utilize large volumes of western Canadian light crude oil relative to other imported oils. Enbridge Pipelines Inc. owns and operates a pipeline from Montreal to Sarnia which transports crude oil imported to Canada from offshore to Ontario. Volumes on the Montreal to Sarnia pipeline have displaced some western Canadian and United States domestic deliveries in the Ontario market. A portion of this displaced volume in Ontario markets has been delivered to the midwestern United States markets. Enbridge Saskatchewan throughput will be limited by the volume of Canadian crude which can be readily absorbed in the midwestern United States markets.

Arrangements with Shippers and Regulation

Operations and tolls for the Saskatchewan System and the Westspur System are based on historical agreements with certain crude oil shippers which 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, interest expense, income tax and a return on rate base. The majority of the volumes shipped on the Saskatchewan System and the Westspur System are transported on terms similar to a common carrier with no specific on-going volume commitments. There is no assurance that shippers will continue to utilize these systems in the future or transport volumes on similar terms or at similar tolls. Tolls calculated under such agreements for the Westspur System are regulated by the NEB on a complaint basis. In the absence of a complaint, the NEB does not normally undertake a detailed examination of the Westspur System tolls. There have been no complaints regarding the Westspur System tolls filed with the NEB.

There is no assurance that the NEB will continue to permit the Westspur System to use the present form of tolls. Shippers could (i) file complaints with respect to the Westspur System's effective toll, and (ii) protest any proposed changes to the Westspur System's toll, including the terms and conditions of service. In addition, changes in NEB policy or statutory changes could also affect the relationship between the Westspur System and its shippers. Enbridge Saskatchewan's cash flow, and ultimately cash flow available for distribution to Unitholders, could be reduced by an adverse change to the Westspur System's tolls, rate structures and terms and conditions of service. In addition to tolls, the NEB also exercises statutory authority over various other matters of the Westspur System including construction and underlying accounting practises.

The Saskatchewan System and the Weyburn System are subject to regulation by the Province of Saskatchewan. In addition to regulating Saskatchewan System and Weyburn System tolls on a complaint basis, the Province of Saskatchewan exercises statutory authority over the approval and construction as well as the abandonment of existing assets for these two pipeline systems. The Virden System's tolls are subject to regulation by the Province of Manitoba on a complaint basis. The Province of Manitoba also exercises statutory authority over the approval and construction as well as the abandonment of existing assets for the Virden System.

Competition

The Enbridge Saskatchewan Systems face competition in pipeline transportation from other pipelines as well as other forms of transportation, most notably trucking. For the Weyburn System and the Virden System, which use market based tolls, the cost of alternative transportation options affects the rates that Enbridge Saskatchewan can charge for transportation service on these pipelines. The cost of alternative transportation

options also provides a competitive force on Enbridge Saskatchewan's cost of service based pipelines, the Saskatchewan System and the Westspur System. These alternative transportation options could charge rates or provide service to locations that result in greater net profit for shippers with the effect of forcing Enbridge Saskatchewan, for commercial reasons, to lower the transportation rates to avoid losing shippers, thereby reducing Enbridge Saskatchewan's cash flow from transportation services.

Pipeline Operating Risks

As with any comprehensive pipeline system, operation of the Enbridge Saskatchewan Systems involves many risks, including the breakdown or failure of equipment, information systems or processes, the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects), failure to keep on hand adequate supplies of spare parts, operator error, labour disputes, disputes with interconnected facilities and carriers and catastrophic events such as natural disasters, fires, explosions, fractures, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of Enbridge Saskatchewan. The occurrence or continuance of any of these events could increase the cost of operating the Enbridge Saskatchewan Systems and/or reduce its transportation capacity, thereby impacting cash flow.

Changes to Applicable Legislation

The nature and degree of legislation affecting crude oil pipeline operations in Canada has changed significantly during the past 15 years and there is no assurance that further substantial changes will not occur or that existing policies and rules will not be applied in a new or different manner, including in connection with the production, sale and export of crude oil in and from the WCSB. Such regulations and legislation may affect the revenues and creditworthiness of the shippers, and/or Enbridge Saskatchewan, which may have a material adverse effect on Enbridge Saskatchewan.

Environmental Costs and Liabilities

The operation of the Enbridge Saskatchewan Systems is subject to federal, provincial and local laws and regulations relating to environmental protection and operational safety.

Risks of substantial costs and liabilities, including those from leaks and explosions, are inherent in pipeline operations, and there can be no assurance that substantial costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws, regulations and enforcement policies thereunder, and claims for damages to persons or property resulting from the Enbridge Saskatchewan Systems operations, could result in significant costs and liabilities to Enbridge Saskatchewan.

Pipeline Abandonment Costs

Enbridge Saskatchewan is responsible for compliance with all applicable laws and regulations regarding the abandonment of its pipeline assets at the end of their economic life, which abandonment costs may be substantial. The proceeds of the disposition of assets associated with the pipeline systems owned by Enbridge Saskatchewan would be available to offset abandonment costs. However, it is not possible to predict abandonment costs since they will be a function of regulatory requirements at the time and the value of Enbridge Saskatchewan's assets may then be more or less than abandonment costs. Enbridge Saskatchewan may, in the future, determine it prudent or be required by applicable laws or regulations to establish and fund one or more reclamation funds to provide for payment of future abandonment costs. Such reserves could decrease funds available for distribution to Unitholders.

Easement Rights

Enbridge Saskatchewan has acquired easement rights from approximately 2,400 landowners in order to construct, install and operate its pipeline. These easement rights were obtained through voluntary negotiation and, in certain cases, through statutory rights of entry. There can be no assurance that legal challenges will not be brought with respect to the form, content, or recording of such easements, or to Enbridge Saskatchewan's compliance with the terms of such easements during the construction and operation of the pipeline.

Adequacy of Insurance

Enbridge Saskatchewan currently maintains insurance of the types and amounts that is generally consistent with prudent pipeline industry practices. Enbridge Saskatchewan does not intend to maintain any such insurance if it is not available on commercially reasonable terms. There can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which Enbridge Saskatchewan is insured, or the proceeds of such insurance, will compensate Enbridge Saskatchewan fully for its losses. The insurance coverage obtained with respect to the Enbridge Saskatchewan Systems will be subject to limits and exclusions or limitations on coverage that are considered to be reasonable, given the cost of procuring insurance and current operating conditions. In the event there is a total or partial loss of any Enbridge Saskatchewan System, there can be no assurance that the insurance proceeds received by Enbridge Saskatchewan in respect thereof will be sufficient in any particular situation to compensate fully for losses or sufficient to satisfy all indebtedness or obligations of Enbridge Saskatchewan. Further, the Enbridge Saskatchewan Systems are subject to environmental regulations pursuant to federal, provincial and local laws of Canada. A breach of such laws may result in the imposition of fines or the issuance of clean-up orders, which may not be insurable.

Furthermore, in the event of a total or partial loss to any Enbridge Saskatchewan System, certain items of equipment may not be easily replaced because they are sufficiently expensive and system-specific that replacement units generally are not readily available. Accordingly, notwithstanding that there may be guarantee coverage, warranty coverage or insurance coverage, the location of the Enbridge Saskatchewan Systems, the significant cost of some of its equipment, and the extended period needed to manufacture or procure replacement units could give rise to significant delays in replacement and losses of transportation capacity.

Risk Factors Relating to the Fund and Trust Units

Fluctuations and Delays in Distributions

Cash distributions are not guaranteed and distributions by the Fund will fluctuate. Although the Fund will distribute Distributable Cash, there can be no assurance regarding the amounts thereof. The actual amount of Distributable Cash will depend upon numerous factors including operating cash flow, general and administrative costs, debt service costs, capital expenditures, restrictions imposed by lenders, disruptions in service and reserves established by the Fund, ECT and LP.

The Kyoto Protocol

In December 2002, Canada ratified the Kyoto Protocol, a 1997 treaty designed to reduce greenhouse gas emissions to 6% below 1990 levels. The Fund is assessing and evaluating the federal government's approach to implementation. Until these plans become certain, the Fund will not be able to quantify the impact, if any, on its operations.

Dependence on the Manager and ECT

The Fund will be dependent on the Manager in respect of the administration of the Fund, management of ECT and LP and the administration of the Canadian Pipeline Interests and subsequently acquired energy transportation infrastructure investments or other related assets. Each of the Management Agreement and the Administration Agreement may be terminated after 20 years, or earlier in certain circumstances. In the event of any such termination, the Fund, ECT and LP will be required to establish replacement arrangements. If the Fund is not able to obtain such arrangements on favourable terms, its revenues and profits may decline and Distributable Cash may be negatively affected.

Potential Conflicts of Interests

Enbridge currently develops, owns, manages, and administers other energy transportation infrastructure assets, and will in the future develop, acquire, own, manage and administer other energy transportation infrastructure assets, including an interest in Alliance USA. Enbridge and its affiliated entities, including the Manager, are engaged in activities similar to the activities of the Fund. Provisions in the Fund Trust Indenture,

the ECT Trust Indenture, the Management Agreement, the Administration Agreement, the GP Services Agreement, the IP Holdings Services Agreement and the LP Limited Partnership Agreement, including those relating to corporate governance, provide certain procedures to be followed in the event of such conflicts of interests, and certain remedies may be available to the Fund where such procedures are not followed. See “Description of the Fund”, “Description of ECT”, “Description of LP” and “Conflicts of Interest and Fiduciary Duties”.

Adequacy of Capital Resources

Future acquisitions by the Fund, expansions of the Fund’s assets and other capital expenditures will 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. There can be no assurance that sufficient capital will be available on acceptable terms to fund acquisitions, capital expenditures or expansion projects.

Dilution of Existing Unitholders

The Fund may issue additional Trust Units or securities exchangeable for Trust Units in the future. The Fund Trust Indenture permits the Fund to issue an unlimited number of previously unissued Trust Units without the approval of Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. The Fund Trustee has delegated to the ECT Trustees the discretion in connection with the price and the terms of issue of further Trust Units.

Financial Leverage

Interest expense has been estimated for the purpose of estimating Distributable Cash based on assumptions that are subject to market fluctuations. Such fluctuations could have a material adverse effect on cash flow. There is no assurance that the Fund will be able to refinance the Credit Facility at its maturity or to comply at all times with the covenants applicable thereunder. Any failure of the Fund to obtain such refinancing or to comply with applicable covenants under the Credit Facility could also have a material adverse effect on the Fund’s cash flow and Distributable Cash.

Nature of Trust Units

Each Trust Unit represents an undivided beneficial interest in the Fund. The Fund’s sole assets will be 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 or the Enbridge Saskatchewan Systems and should not be viewed by investors as units in either the Alliance Canada Pipeline or the Enbridge Saskatchewan Systems. 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 “oppression” or “derivative” actions.

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 will, 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 Enbridge Saskatchewan 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 intends to comply with all environmental regulations relating to its properties and the insurance policies which it will hold, 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, because of uncertainties in law relating to trusts such as the Fund, 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.

The net assets of the Fund will be 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 will be 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.

Absence of Prior Public Market

The Fund is a newly-formed unincorporated trust. Prior to the offering of Ordinary Units hereunder, there has been no public market for the Trust Units. The price offered to the public and the number of Ordinary Units to be issued have been determined by negotiation between Enbridge, the Manager and the Fund, on the one hand, and the Underwriters, on the other hand. The price paid for each Ordinary Unit may bear no relationship to the price at which the Ordinary Units will trade in the public market subsequent to this offering. The Fund cannot predict at what price the Ordinary Units will trade and there can be no assurance that an active trading market in the Ordinary Units will develop or be sustained. Ordinary Units will not necessarily trade at values determined solely by reference to the underlying value of its assets. One of the factors that may influence the market price of the Ordinary Units is the annual yield on the Ordinary Units. An increase in market interest rates may lead purchasers of Ordinary Units to demand a higher annual yield and this could adversely affect the market price of the Ordinary Units. In addition, the market price for the Ordinary Units may be affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of the Fund.

There can also be no assurance that the Fund will be in a position to redeem Trust Units for cash when requested to do so.

Distribution of ECT Units or ECT Notes on Redemption or Termination of the Fund

Upon a redemption of Trust Units, Unitholders may not receive cash, but may receive a distribution *in specie* of ECT Notes or other assets held by the Fund (other than ECT Units). See “Description of the Fund — Redemption at the Option of Unitholders”. On termination of the Fund, the Fund Trustee may distribute such ECT Units, ECT Notes or other securities directly to Unitholders, subject to obtaining all of the required regulatory approvals. See “Canadian Federal Income Tax Considerations” and “Description of the Fund”. Securities which may be received as the result of a redemption of Trust Units or termination of the Fund will not be listed on any stock exchange and no market for such securities is expected to develop. The securities so distributed may not be qualified investments for trusts governed by any of the Plans, depending upon the circumstances existing at that time. In addition, there may be resale restrictions imposed by law upon recipients of the securities pursuant to the redemption right. The ECT Notes will not be guaranteed by any party, and the provisions governing an event of default under the ECT Note Indenture and remedies available thereunder will not provide protection to the holders of ECT Notes comparable to the provisions generally found in debt securities issued to the public.

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.

Continued Investment Eligibility and Tax Issues

The Fund will endeavour to ensure that the Trust Units constitute and continue to constitute “qualified investments” for trusts governed by the Plans under the Tax Act and will not constitute “foreign property” to registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), deferred profit sharing plans (“DPSPs”), registered pension funds or plans of any other persons subject to Part XI of the Tax Act as of the date hereof. Although the Fund intends to qualify as a “mutual fund trust” under the Tax Act, if the Fund ceases to qualify as a “mutual fund trust”, the Ordinary Units will cease to be “qualified investments” for the Plans and may become “foreign property” for RRSPs, RRIFs, DPSPs, registered pension funds or plans or any other persons subject to Part XI of the Tax Act as of the date hereof. Where, at the end of any month, a Plan holds Ordinary Units that are not “qualified investments”, the Plan must pay a tax under Part XI.1 of the Tax Act, in respect of the month, equal to 1.0% of the fair market value of the Ordinary Units at the time the Ordinary Units were acquired by the Plan. The annuitant under a Plan could also be subject to penalty taxes in such a case. In addition, if the Fund ceases to qualify as a “mutual fund trust”, the Fund will then be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for Unitholders. To the extent that the Fund remains the sole holder of ECT Units and assuming the Fund qualifies as a “mutual fund trust” at all relevant times, ECT will not be required to pay tax under Part XII.2 of the Tax Act. If the Fund ceases to qualify as a “mutual fund trust” or ceases to be the sole holder of the ECT Units, ECT may be required to pay tax under Part XII.2 of the Tax Act. One of the ways in which the Fund could cease to qualify as a “mutual fund trust” would be if non-residents of Canada (within the meaning of the Tax Act) were to become the beneficial owners of a majority of the Trust Units. There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which may adversely affect Unitholders. See “Canadian Federal Income Tax Considerations”.

Deductibility of Expenses for Tax Purposes

Although the Manager is of the view that all expenses to be claimed by the Fund, ECT, IP Holdings, Sask Holdings and LP will be reasonable and deductible, there can be no assurance that CCRA will agree. If CCRA successfully challenges the deductibility of such expenses, the return to Unitholders may be adversely affected.

PROMOTER AND INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Enbridge is the promoter of the Fund by reason of its initiative in organizing the business and affairs of the Fund.

The Manager is a wholly-owned subsidiary of Enbridge. The Manager will provide administrative and support services with respect to the Fund and management and administrative services with respect to ECT pursuant to the Administration Agreement and the Management Agreement, respectively, in respect of which it will receive specified fees. The Manager will also provide executive management and administrative services to GP pursuant to the GP Services Agreement in respect of which it will receive specified fees. See “Fund Trustees and Management”.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Fund will be PricewaterhouseCoopers LLP, Chartered Accountants, Petro-Canada Centre, Suite 3100, 111 - 5th Avenue S.W., Calgary, Alberta, T2P 5L3.

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

MATERIAL CONTRACTS

Set out below are agreements that may be considered material to the Fund:

1. the Fund Trust Indenture (see “Description of the Fund”);
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 ECT Note Indenture (see “Description of ECT — ECT Notes”);
5. the Management Agreement (see “Fund Trustees and Management — Agreements with the Manager”);
6. the Administration Agreement (see “Fund Trustees and Management — Agreements with the Manager”);
7. the GP Services Agreement (see “Fund Trustees and Management — Agreements with the Manager”);
8. the LP Limited Partnership Agreement (see “Description of LP”);
9. the Alliance Purchase Agreement (see “Acquisition of Canadian Pipeline Interests — Alliance Purchase Agreement”);
10. the Enbridge Saskatchewan Purchase Agreement (see “Acquisition of Canadian Pipeline Interests — Enbridge Saskatchewan Purchase Agreement”); and
11. the Underwriting Agreement (see “Plan of Distribution”).

Copies of these documents will be available for review during the period of distribution of the Ordinary Units at 3000, 425 - 1st Street S.W., Calgary, Alberta, T2P 3L8, and at Suite 4700, Toronto Dominion Tower, Toronto, Ontario, M5K 1E6 during normal business hours.

EXPERTS

Certain legal matters relating to the issuance of the Ordinary Units to the public will be passed upon at Closing by McCarthy Tétrault LLP, on behalf of the Fund, the Manager and Enbridge, and Fraser Milner Casgrain LLP, on behalf of the Underwriters.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province of residence. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province of residence for the particulars of these rights or consult with a legal adviser.

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AUDITORS' REPORT

To the Trustee of Enbridge Income Fund

We have audited the statement of financial position of Enbridge Income Fund as at May 23, 2003. This statement of financial position is the responsibility of Enbridge Income Fund's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statement of financial position is free of material misstatement. An audit of a statement of financial position includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation.

In our opinion, the statement of financial position presents fairly, in all material respects, the financial position of Enbridge Income Fund as at May 23, 2003, in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta, Canada
May 23, 2003 (except for Note 2 which
is dated as of June 23, 2003)

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

ENBRIDGE INCOME FUND
STATEMENT OF FINANCIAL POSITION

	<u>as at</u> <u>May 23,</u> <u>2003</u>
Assets	
Cash	\$10
Unitholder's Equity	<u>\$10</u>

Approved by Enbridge Management Services Inc.
as administrator of Enbridge Income Fund

By: (Signed) J. RICHARD BIRD
Director

By: (Signed) STEPHEN J. WUORI
Director

See accompanying notes to statement of financial position.

ENBRIDGE INCOME FUND
NOTES TO STATEMENT OF FINANCIAL POSITION

1. THE FUND

The Enbridge Income Fund (the “Fund”) is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta.

2. SUBSEQUENT EVENT

The Fund has prepared a prospectus dated June 23, 2003 for the sale of 17,500,000 ordinary trust units (the “Ordinary Units”) at a price of \$10.00 per unit, payable on closing for aggregate net proceeds of \$163.7 million (after deducting underwriters’ fees and other offering costs) in an initial public offering (the Offering).

Concurrent with the closing of the Offering,

- (a) The Fund will use the net proceeds from the Offering in addition to proceeds of \$145.0 million from the issuance of 14,500,000 subordinated trust units (the “Subordinated Units”) of the Fund to Enbridge Inc. (“Enbridge”) to make a \$15.4 million equity investment and \$293.3 million debt investment in Enbridge Commercial Trust (“ECT”).
- (b) ECT will issue 40,648,750 preferred units (the “ECT Preferred Units”) to Enbridge for total proceeds of \$406.5 million.
- (c) ECT will subscribe for Class A limited partnership units of Enbridge Income Partners LP (“LP”) in the amount of \$715.1 million for a total limited partnership interest of 99.99% and will subscribe for shares of Enbridge Income Partners GP Inc. (“GP”) in the amount of \$0.1 million. GP will subscribe for Class A limited partnership units of LP in the amount of \$0.1 million for a total partnership interest of 0.01%.
- (d) LP will enter into a credit facility to be provided to LP by certain chartered banks in the principal amount of \$260.0 million with a 364-day initial period followed by a one-year term out period (the “Credit Facility”).
- (e) In accordance with the Alliance Purchase Agreement, Enbridge’s 50% interest in Alliance Pipeline Limited Partnership (“Alliance Canada”) will be sold to LP for a total purchase price of \$726.6 million.
- (f) In accordance with the Enbridge Saskatchewan Purchase Agreement, Enbridge’s 100% interest in Enbridge Pipelines (Saskatchewan) Inc. (“Enbridge Saskatchewan”) will be sold to a subsidiary of LP for a total purchase price of \$178.4 million.
- (g) The net proceeds from the Offering and approximately \$190.0 million to be drawn under the Credit Facility, together with the issuance of the Subordinated Units and the ECT Preferred Units to Enbridge, will be used to acquire Enbridge’s 50% interest in Alliance Canada and Enbridge Saskatchewan.

At the closing, all of the issued and outstanding ECT common units will be held by the Fund.

COMPILATION REPORT

**To the Trustee of
Enbridge Income Fund
and the Trustees of
Enbridge Commercial Trust**

We have reviewed, as to compilation only, the accompanying unaudited pro forma consolidated statement of financial position of Enbridge Income Fund (the "Fund") as at March 31, 2003 and the statements of consolidated loss for the year ended December 31, 2002 and the three months ended March 31, 2003 which have been prepared for inclusion in the prospectus relating to the qualification of distribution of ordinary trust units of the Fund. In our opinion, the pro forma consolidated statement of financial position and the pro forma consolidated statements of loss have been properly compiled to give effect to the proposed transactions and the assumptions described in note 2 thereto.

Calgary, Alberta, Canada
June 23, 2003

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

ENBRIDGE INCOME FUND
PRO FORMA CONSOLIDATED STATEMENT OF LOSS
Year ended December 31, 2002

	<u>Enbridge Income Fund</u>	<u>Alliance Pipeline Interest</u>	<u>Saskatchewan System</u>	<u>Pro Forma Adjustments (Note 2)</u>	<u>Enbridge Income Fund Pro Forma</u>
		(unaudited, thousands of Canadian dollars)			
Transportation Revenue	—	191,132	40,419		231,551
Expenses					
Operating and maintenance	—	33,173	18,084		51,257
Management and administrative	—	—	—	1,000 (k)	1,000
Capital taxes	—	—	—	6,219 (j)	6,219
Depreciation and amortization	—	56,860	8,256	28,015 (f)	93,131
	<u>—</u>	<u>90,033</u>	<u>26,340</u>	<u>35,234</u>	<u>151,607</u>
Operating Income	—	101,099	14,079	(35,234)	79,944
Other Income	—	2,443	212	—	2,655
Interest Expense	—	(54,007)	—	(8,550) (c)	(60,040)
				2,517 (g)	(33,535) (b)
Preferred Unit Distributions	—	—	—	(33,535) (b)	(33,535)
	<u>—</u>	<u>49,535</u>	<u>14,291</u>	<u>(74,802)</u>	<u>(10,976)</u>
Income Taxes	—	—	—	(159) (h)	10,175
				10,334 (i)	<u>10,175</u>
Loss	<u>—</u>	<u>49,535</u>	<u>14,291</u>	<u>(64,627)</u>	<u>(801)</u>

*The accompanying notes to the pro forma consolidated financial statements
are an integral part of these statements.*

ENBRIDGE INCOME FUND
PRO FORMA CONSOLIDATED STATEMENT OF LOSS
Three months ended March 31, 2003

	Enbridge Income Fund	Alliance Pipeline Interest	Saskatchewan System	Pro Forma Adjustments (Note 2)	Enbridge Income Fund Pro Forma
		(unaudited, thousands of		Canadian dollars)	
Transportation Revenue	—	48,758	9,915		58,673
Expenses					
Operating and maintenance	—	8,094	4,428		12,522
Management and administrative	—	—	—	250 (k)	250
Capital taxes	—	—	—	1,555 (j)	1,555
Depreciation and amortization	—	14,194	2,016	7,004 (f)	23,214
	<u>—</u>	<u>22,288</u>	<u>6,444</u>	<u>8,809</u>	<u>37,541</u>
Operating Income	—	26,470	3,471	(8,809)	21,132
Other Income	—	756	51	—	807
Interest Expense	—	(14,864)		(2,138) (c)	
				629 (g)	(16,373)
Preferred Unit Distributions	—	—	—	(8,384) (b)	(8,384)
	<u>—</u>	<u>12,362</u>	<u>3,522</u>	<u>(18,702)</u>	<u>(2,818)</u>
Income Taxes	—	—		2,584 (i)	2,584
Loss	<u>—</u>	<u>12,362</u>	<u>3,522</u>	<u>(16,118)</u>	<u>(234)</u>

*The accompanying notes to the pro forma consolidated financial statements
are an integral part of these statements.*

ENBRIDGE INCOME FUND
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2003

	Enbridge Income Fund	Alliance Pipeline Interest	Saskatchewan System	Pro Forma Adjustments (Note 2)	Enbridge Income Fund Pro Forma
	(unaudited, thousands of Canadian dollars)				
Current Assets					
Cash and short-term deposits	—	103,157	3,589		106,746
Accounts receivable and other	—	45,523	5,196		50,719
	—	148,680	8,785	—	157,465
Property, Plant and Equipment, net	—	1,228,004	85,221	679,899 (e)	1,993,124
Long-term Receivable	—	23,923	—		23,923
Deferred Amounts	—	5,784	—		5,784
	—	1,406,391	94,006	679,899	2,180,296
Liabilities and Equity					
Current Liabilities					
Revolving credit facility	—	—	—	190,000 (c)	190,000
Accounts payable and other	—	56,021	5,679		61,700
Deferred revenue	—	—	811		811
Current portion of long-term debt	—	33,767	—		33,767
	—	89,788	6,490	190,000	286,278
Long-term Debt	—	904,899	—	20,696 (e)	925,595
Preferred Units	—	—	—	406,488 (b)	406,488
Future Income Taxes	—	—	—	248,902 (i)	248,902
Other Long-term Liabilities	—	4,320	—		4,320
	—	999,007	6,490	866,086	1,871,583
Equity					
Enbridge Inc.'s net investment	—	407,384	87,516	(494,900)(d)	—
Unitholders capital accounts	—	—	—	308,713 (a)	308,713
	—	407,384	87,516	(186,187)	308,713
	—	1,406,391	94,006	679,899	2,180,296

Approved by Enbridge Management Services Inc.
as administrator of Enbridge Income Fund

By: (Signed) "J. RICHARD BIRD"
Director

By: (Signed) "STEPHEN J. WUORI"
Director

*The accompanying notes to the pro forma consolidated financial statements
are an integral part of these statements.*

ENBRIDGE INCOME FUND

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Enbridge Income Fund (the “Fund”) is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The pro forma consolidated financial statements of the Fund were prepared by Enbridge Management Services Inc. (the “Manager”) as administrator of the Fund and manager of Enbridge Commercial Trust (“ECT”) and have been approved by the Board of Directors of the Manager on behalf of the Fund.

The pro forma consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and give effect to the completion of an initial public offering of ordinary trust units (the “Ordinary Units”) followed by the acquisitions of Enbridge Pipelines (Saskatchewan) Inc. (“Enbridge Saskatchewan”) and a 50% interest in the Alliance Pipeline Limited Partnership (“Alliance Canada”) and reflect the assumptions and adjustments described below. The pro forma consolidated financial statements include the proportionate share of the accounts of Alliance Canada as the Fund has joint control.

The pro forma consolidated statement of loss for the year ended December 31, 2002 has been prepared by combining the audited statement of earnings of the Saskatchewan System, which consists solely of the operations of Enbridge Saskatchewan, and 50% of the respective line items of the Alliance Canada audited statement of income, both for the year ended December 31, 2002 and both presented elsewhere in the prospectus. The pro forma consolidated statement of loss for the three months ended March 31, 2003 has been prepared by combining the statement of earnings of the Saskatchewan System and 50% of the respective line items of the Alliance Canada statement of income, both for the three months ended March 31, 2003 and both presented elsewhere in the prospectus.

The pro forma statement of financial position at March 31, 2003 has been prepared by combining the audited opening statement of financial position of the Fund at May 23, 2003, the statement of financial position of the Saskatchewan System as at March 31, 2003 and 50% of the respective line items of the Alliance Canada balance sheet at March 31, 2003, both presented elsewhere in the prospectus.

The pro forma consolidated financial statements should be read in conjunction with the financial statements of Alliance Canada, the financial statements of the Saskatchewan System and the audited opening statement of financial position of the Fund, including the related notes thereto, presented elsewhere in the prospectus.

The pro forma consolidated statement of loss is not intended to reflect the results of operations which would have actually resulted had the acquisitions and other pro forma adjustments been effected on the dates indicated. Further, the pro forma results of operations are not necessarily indicative of the results of operations that may be obtained by the Fund in the future.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The pro forma consolidated financial statements have been presented assuming that the following transactions had been completed and adjustments had been effected January 1, 2002 for the consolidated statements of loss and as at March 31, 2003 for the consolidated statement of financial position.

- (a) The initial public offering will result in the issuance of 17,500,000 Ordinary Units by the Fund at a price of \$10 per Ordinary Unit for net proceeds of \$163.7 million after deducting underwriters’ fees of \$9.2 million and estimated expenses related to the offering of \$2.1 million. The Fund will also issue to Enbridge Inc. (“Enbridge”) 14,500,000 subordinated trust units (the “Subordinated Units”) at a price of \$10 per Subordinated Unit, for which there will be no underwriting fee, for aggregate consideration of \$145.0 million.

ENBRIDGE INCOME FUND

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Continued)

- (b) ECT will issue 40,648,750 preferred units (the “ECT Preferred Units”) at an issue price of \$10 per ECT Preferred Unit. The ECT Preferred Units have a 30-year maturity. Upon request of the holder, ECT Preferred Units may be repurchased for cancellation by ECT, provided that certain conditions are met. Monthly distributions per ECT Preferred Unit are equal to the amount of the monthly distribution per Ordinary Unit. The ECT Preferred Units are classified as a long-term liability on the statement of financial position. The ECT Preferred Unit distributions are estimated at \$33.5 million for the year ended December 31, 2002 and \$8.4 million for the three months ended March 31, 2003.
- (c) LP will enter into a 364-day credit facility (the “Credit Facility”) for \$260.0 million of which \$190.0 million is drawn at an interest rate of 4.5% per annum. The facility includes a one-year extension at the option of LP. Interest expense is estimated at \$8.6 million for the year ended December 31, 2002 and \$2.1 million for the three months ended March 31, 2003.
- (d) The net proceeds from the issuance of Ordinary Units and the proceeds from the Credit Facility together with the issue of Subordinated Units and ECT Preferred Units to Enbridge, all as described above, will be indirectly used by the Fund to purchase the Saskatchewan System for \$178.4 million and acquire a 50% interest in Alliance Canada for \$726.6 million. Acquisition costs are estimated at \$0.2 million.
- (e) The acquisition of the Saskatchewan System and the 50% interest in Alliance Canada will be accounted for using the purchase method at the acquisition cost negotiated between the Fund and Enbridge. It has been assumed that the fair value of all assets and liabilities of the Saskatchewan System and the 50% interest in Alliance Canada is equivalent to their carrying value, except for property, plant and equipment and the fixed rate long-term debt of Alliance Canada. The estimated excess of fair value over the carrying value of property, plant and equipment of Alliance Canada and the Saskatchewan System is \$512.4 million and \$167.5 million, respectively. The fair value of the fixed rate debt of Alliance Canada exceeds the carrying value by \$20.7 million.
- (f) The amortization of the difference between the fair value allocated to the property, plant and equipment acquired in the purchase of the Saskatchewan System and the 50% interest in Alliance Canada is based on the respective amortization periods of the underlying assets. For Alliance Canada it is on a straight-line basis of approximately 25 years. The amortization period for the Saskatchewan System is based on a unit-of-production basis. The amortization of purchase price excess on the acquired assets is estimated at \$28.0 million for the year ended December 31, 2002 and \$7.0 million for the three months ended March 31, 2003.
- (g) The fair value excess allocated to the fixed rate debt will be amortized on a straight-line basis over the term to maturity. The amortization of the additional long-term debt is estimated at \$2.5 million for the year ended December 31, 2002 and \$0.6 million for the three months ended March 31, 2003.
- (h) Under the terms of the Income Tax Act (Canada), each of the Fund and ECT, as trusts, will not be subject to income taxes to the extent that taxable income during a year is paid or payable to unitholders. Also, the Fund and ECT are contractually committed to distribute to unitholders all or virtually all of their taxable income and taxable capital gains. However, the assets of Alliance Canada and Enbridge Saskatchewan are not held directly by the Fund or ECT but are held directly by corporations. Current income taxes within the corporations will not be significant, as financing costs related to loans made by the Fund to these entities to complete the acquisition of the interest in Alliance Canada and Enbridge Saskatchewan will reduce taxable income. Income tax is estimated at \$0.2 million for the year ended December 31, 2002.

ENBRIDGE INCOME FUND

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Continued)

- (i) The accounting basis of property, plant and equipment acquired is greater than the tax basis because the fair value exceeds carrying value. To the extent that the excess accounting basis will not be recovered in tolls, a future income tax liability has been recorded. The future income tax liability is estimated at \$248.9 million and has been recorded as part of the purchase price allocation. Amortization of the future income tax liability is estimated at \$10.3 million for the year ended December 31, 2002 and \$2.6 million for the three months ended March 31, 2003.
- (j) As described above, the Fund and ECT are not taxable entities however the assets of Alliance Canada and Enbridge Saskatchewan are held directly by corporations and are liable for provincial capital tax and federal large corporations tax. Capital taxes are estimated at \$6.2 million for the year ended December 31, 2002 and \$1.6 million for the three months ended March 31, 2003.
- (k) There will be an increase in management and administrative expenses of \$1.0 million for the year ended December 31, 2002 and \$0.3 million for the three months ended March 31, 2003 representing the estimated expenses relating to trustee remuneration for both the Fund and ECT as well as costs required for external reporting and regulatory filings, including audit fees, regulatory filing fees, legal fees and unitholder communication costs.

SASKATCHEWAN SYSTEM
STATEMENTS OF EARNINGS
Three months ended March 31

	2003	2002
	(unaudited; thousands of Canadian dollars)	
Operating Revenues		
Tariffs	7,798	7,296
Allowance oil	2,117	2,620
	9,915	9,916
Expenses		
Power	546	582
Operating and administrative	3,882	3,648
Depreciation	2,016	2,027
	6,444	6,257
Operating Income	3,471	3,659
Interest and Other Income	51	17
Earnings	3,522	3,676

SASKATCHEWAN SYSTEM
STATEMENTS OF CHANGES IN ENBRIDGE INC.'S NET INVESTMENT
Three months ended March 31

	2003	2002
	(unaudited; thousands of Canadian dollars)	
Enbridge Inc.'s Net Investment at Beginning of Period	84,075	87,366
Earnings	3,522	3,676
Net Contributions by/(Distributions to) Enbridge Inc.	(81)	2,176
Enbridge Inc.'s Net Investment at End of Period	87,516	93,218

The accompanying note to the financial statements is an integral part of these statements.

SASKATCHEWAN SYSTEM
STATEMENTS OF CASH FLOWS
Three months ended March 31

	<u>2003</u>	<u>2002</u>
	(unaudited; thousands of Canadian dollars)	
Cash Provided By Operating Activities		
Earnings	3,522	3,676
Charges not affecting cash		
Depreciation	2,016	2,027
Changes in operating assets and liabilities		
Accounts receivable and other	(552)	(2,057)
Accounts payable and other	(259)	(3,260)
Deferred revenue	(327)	701
	<u>4,400</u>	<u>1,087</u>
Investing Activities		
Additions to property, plant and equipment	(730)	(501)
Financing Activities		
Net Contributions by/(Distributions to) Enbridge Inc.	(81)	2,176
Increase in Cash	3,589	2,762
Cash at Beginning of Period	—	803
Cash at End of Period	<u>3,589</u>	<u>3,565</u>

The accompanying note to the financial statements is an integral part of these statements.

**SASKATCHEWAN SYSTEM
STATEMENTS OF FINANCIAL POSITION**

	March 31, 2003	December 31, 2002
	(unaudited)	(audited)
	(thousands of Canadian dollars)	
ASSETS		
Current Assets		
Cash	3,589	—
Accounts receivable and other	<u>5,196</u>	<u>4,644</u>
	8,785	4,644
Property, Plant and Equipment, net	<u>85,221</u>	<u>86,507</u>
	<u>94,006</u>	<u>91,151</u>
 LIABILITIES AND ENBRIDGE INC.'S NET INVESTMENT		
Current Liabilities		
Accounts payable and other	5,679	5,938
Deferred revenue	<u>811</u>	<u>1,138</u>
	6,490	7,076
Enbridge Inc.'s Net Investment	<u>87,516</u>	<u>84,075</u>
	<u>94,006</u>	<u>91,151</u>

The accompanying note to the financial statements is an integral part of these statements.

SASKATCHEWAN SYSTEM
NOTE TO THE FINANCIAL STATEMENTS
(unaudited; thousands of Canadian dollars)

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles and should be read in conjunction with the 2002 financial statements and notes. These interim financial statements are prepared on a consistent basis with the 2002 financial statements and follow the same accounting policies and methods of application.

1. SUBSEQUENT EVENT

Enbridge Inc. has negotiated the sale of the Saskatchewan System to the Enbridge Income Fund subject to certain conditions including the completion of an offering of ordinary trust units by Enbridge Income Fund.

AUDITORS' REPORT

To the Board of Directors of Enbridge Inc.

We have audited the statements of financial position of the Saskatchewan System as at December 31, 2002 and 2001 and the statements of earnings, changes in Enbridge Inc.'s net investment and cash flows for each of the years in the three-year period ended December 31, 2002. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Saskatchewan System as at December 31, 2002 and 2001 and the results of its operations and cash flows for each of the years in the three-year period ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta, Canada
May 23, 2003 (except for Note 6 which
is dated as of June 23, 2003)

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

**SASKATCHEWAN SYSTEM
STATEMENTS OF EARNINGS
Year ended December 31**

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(thousands of Canadian dollars)		
Operating Revenues			
Tariffs	30,102	31,354	31,519
Allowance oil	10,317	9,828	9,868
	<u>40,419</u>	<u>41,182</u>	<u>41,387</u>
Expenses			
Power	2,046	2,102	2,004
Operating and administrative	16,038	16,881	16,777
Depreciation	8,256	7,861	7,390
	<u>26,340</u>	<u>26,844</u>	<u>26,171</u>
Operating Income	14,079	14,338	15,216
Interest and Other Income	212	252	673
Earnings	<u>14,291</u>	<u>14,590</u>	<u>15,889</u>

**SASKATCHEWAN SYSTEM
STATEMENTS OF CHANGES IN ENBRIDGE INC.'S NET INVESTMENT
Year ended December 31**

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(thousands of Canadian dollars)		
Enbridge Inc.'s Net Investment at Beginning of Year	87,366	79,534	59,770
Earnings	14,291	14,590	15,889
Net Contributions from/(Distributions to) Enbridge Inc.	(17,582)	(6,758)	3,875
Enbridge Inc.'s Net Investment at End of Year	<u>84,075</u>	<u>87,366</u>	<u>79,534</u>

The accompanying notes to the financial statements are an integral part of these statements.

SASKATCHEWAN SYSTEM
STATEMENTS OF CASH FLOWS
Year ended December 31

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(thousands of Canadian dollars)		
Cash Provided By Operating Activities			
Earnings	14,291	14,590	15,889
Charges not affecting cash			
Depreciation	8,256	7,861	7,390
Changes in operating assets and liabilities			
Accounts receivable and other	(114)	1,049	(1,940)
Accounts payable and other	(1,161)	2,260	1,541
Deferred revenue	847	126	165
	<u>22,119</u>	<u>25,886</u>	<u>23,045</u>
Investing Activities			
Additions to property, plant and equipment	(5,340)	(8,926)	(23,782)
Financing Activities			
Long-term debt	—	(11,554)	(2,928)
Net Contributions from/(Distributions to) Enbridge Inc.	<u>(17,582)</u>	<u>(6,758)</u>	<u>3,875</u>
	<u>(17,582)</u>	<u>(18,312)</u>	<u>947</u>
Increase/(Decrease) in Cash	(803)	(1,352)	210
Cash at Beginning of Year	<u>803</u>	<u>2,155</u>	<u>1,945</u>
Cash at End of Year	<u>—</u>	<u>803</u>	<u>2,155</u>

The accompanying notes to the financial statements are an integral part of these statements.

SASKATCHEWAN SYSTEM
STATEMENTS OF FINANCIAL POSITION
December 31

	<u>2002</u>	<u>2001</u>
	(thousands of Canadian dollars)	
ASSETS		
Current Assets		
Cash	—	803
Accounts receivable and other	<u>4,644</u>	<u>4,530</u>
	4,644	5,333
Property, Plant and Equipment, net (Note 2)	<u>86,507</u>	<u>89,423</u>
	<u>91,151</u>	<u>94,756</u>
 LIABILITIES AND ENBRIDGE INC.'S NET INVESTMENT		
Current Liabilities		
Accounts payable and other	5,938	7,099
Deferred revenue	<u>1,138</u>	<u>291</u>
	<u>7,076</u>	<u>7,390</u>
Enbridge Inc.'s Net Investment	<u>84,075</u>	<u>87,366</u>
	<u>91,151</u>	<u>94,756</u>
 Commitments (Note 5)		

By: (Signed) PATRICK D. DANIEL
Director

By: (Signed) ROBERT W. MARTIN
Director

The accompanying notes to the financial statements are an integral part of these statements.

SASKATCHEWAN SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
(thousands of Canadian dollars)

The Saskatchewan System is a business owned by Enbridge Inc. and operated by Enbridge Pipelines (Saskatchewan) Inc. and its wholly-owned subsidiaries, Enbridge Pipelines (Westspur) Inc., Enbridge Pipelines (Weyburn) Inc. and Enbridge Pipelines (Virden) Inc. Its primary business activity is the transportation of crude oil and other liquid hydrocarbons by pipeline through the ownership and operation of the Saskatchewan, Westspur, and Weyburn pipeline systems located primarily in Saskatchewan, and the Virden pipeline system located in Manitoba.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Saskatchewan System are prepared in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared by Enbridge Inc. in anticipation of the sale of the Saskatchewan System to the Enbridge Income Fund.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements. Actual results could differ from those estimates.

Basis of Presentation

The accompanying statements of financial position include only assets and liabilities specifically identifiable to the Saskatchewan System. The statements of earnings include all revenues and costs attributable to the Saskatchewan System.

These financial statements include an allocation of certain management and administrative expenses incurred by Enbridge Inc.

These financial statements do not include any interest expense on intercompany financing or any allocation of interest expense on long-term debt which is managed centrally by Enbridge Inc.

The Saskatchewan System is not a stand alone company and does not file a separate tax return. As a result, income taxes have not been allocated to the Saskatchewan System.

These financial statements may not necessarily be indicative of the results that would have been attained if the Saskatchewan System had been operated as a separate legal entity during the period presented. The Enbridge Income Fund will be subject to different financing, income tax and management and administrative expenses.

Regulation

The Westspur pipeline system is subject to regulation by the National Energy Board (“NEB”). The Saskatchewan and Weyburn pipeline systems are subject to regulation by the Province of Saskatchewan. The Virden pipeline system is subject to regulation by the Province of Manitoba. The NEB exercises statutory authority over various matters such as construction, rates, and underlying accounting practices associated with the Westspur system.

In order to achieve proper matching of revenues and expenses, the timing of recognition of certain revenues and expenses may differ from that otherwise expected under generally accepted accounting principles.

Revenue Recognition

Revenues are recorded when products have been delivered or services have been performed. For operations that are subject to regulation, there are circumstances where revenues recognized do not match the cash

SASKATCHEWAN SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (Continued)
(thousands of Canadian dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

tolls or the billed amounts. For rate-regulated operations, revenue is recognized in a manner that is consistent with the underlying rate design as mandated by the regulatory authority.

Cash

Cash includes short-term deposits with a term to maturity of three months or less and are recorded at cost.

Property, Plant and Equipment

Expenditures for system expansion and major renewals and betterments are capitalized; maintenance and repair costs are expensed as incurred.

Depreciation

Depreciation of property, plant and equipment is provided on the unit of throughput basis for the Saskatchewan System's pipeline systems. All rates are designed to depreciate the assets over their estimated useful lives. When property, plant and equipment are retired or otherwise disposed of, the gain or loss arising on disposition is included in earnings.

Future Removal and Site Restoration Costs

Future removal and site restoration costs are not determinable and will be recognised when approved for recovery in tolls by the regulator. Accordingly, no provision has been made for removal and site restoration costs since it is expected that these costs will be recovered through future tolls.

Deferred Revenue

Pipeline revenue from the Saskatchewan and Westspur pipeline systems in excess of (or less than) the cost of service is deferred and refunded (or collected) through future tolls. Also included in deferred revenue are amounts collected in excess of contractually agreed committed volumes under throughput and deficiency agreements. Under these agreements, such amounts can be used to offset future shortfalls in monthly throughput commitments, and would be recognised in revenue at that time.

Post-employment Benefits

The Saskatchewan System provides defined benefit and defined contribution pension benefits through its participation in the pension plan of an affiliated company. Pension plan costs and obligations for the defined benefit pension plan are determined using the projected benefit method and are charged to earnings as services are rendered. For the defined contribution plan, contributions required by the Saskatchewan System are expensed as pension costs.

The Saskatchewan System also provides post-employment benefits other than pensions, including group health care and life insurance benefits for eligible retirees, their spouses and qualified dependants. The cost of such benefits is accrued during the years the employees render service.

SASKATCHEWAN SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (Continued)
(thousands of Canadian dollars)

2. PROPERTY, PLANT AND EQUIPMENT, NET

	December 31, 2002		
	Cost	Accumulated Depreciation	Net
Pipeline systems	183,461	102,444	81,017
Line fill	5,490	—	5,490
	188,951	102,444	86,507
	December 31, 2001		
	Cost	Accumulated Depreciation	Net
Pipeline systems	178,121	94,188	83,933
Line fill	5,490	—	5,490
	183,611	94,188	89,423

3. FINANCIAL INSTRUMENTS

The estimated fair values of all financial instruments approximate their carrying amounts.

Trade Credit Risk

Trade receivables consist primarily of amounts due from companies operating in the oil and gas industry and are collateralized by the crude oil and other products contained in the Saskatchewan System's pipeline and storage facilities. The Saskatchewan System holds adequate insurance on this crude oil and other products.

4. POSTEMPLOYMENT BENEFITS

Pension Plans

The Saskatchewan System is a participating employer in a non-contributory pension plan administered by an affiliated company. The pension plan provides either defined benefit or defined contribution retirement benefits to substantially all of the Saskatchewan System's employees.

Defined Benefits

Retirement benefits under defined benefit plans are based on the employees' years of service and remuneration. Contributions made by the Saskatchewan System are in accordance with independent actuarial valuations and are invested primarily in publicly traded equity and fixed income securities. The most recent actuarial valuation was performed as of January 1, 2002.

Pension costs under the defined benefit pension plan reflect the parent company's best estimates of the rate of return on pension plan assets, rate of salary increases and various other factors including mortality rates, terminations and retirement ages. Adjustments arising from the plan amendments, experience gains and losses and changes to assumptions are amortized over the expected average remaining service lives of the employees.

SASKATCHEWAN SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (Continued)
(thousands of Canadian dollars)

4. POSTEMPLOYMENT BENEFITS (Continued)

Defined Contribution

Defined contribution pension benefits are based on each employee's age and years of service. For defined contribution pension benefits, pension expense equals amounts required to be contributed by the Saskatchewan System. The fund is currently in a surplus position.

The Saskatchewan System's pension expense totalled \$382 thousand in 2002 (2001 — \$294 thousand).

Postemployment Benefits Other than Pensions ("OPEB")

Postemployment benefits other than pensions include supplemental health, dental and life insurance coverage for qualifying retired employees. The Saskatchewan System's OPEB expense totalled \$174 thousand in 2002 (2001 — \$117 thousand).

5. COMMITMENTS

The Company leases equipment and facilities. The annual minimum lease payments under the terms of the leases for the years ending December 31, 2003 through 2007, in thousands, are \$678, \$617, \$459, \$214, and \$3, respectively.

6. SUBSEQUENT EVENT

Enbridge Inc. has negotiated the sale of the Saskatchewan System to the Enbridge Income Fund subject to certain conditions including the completion of an offering of ordinary trust units by Enbridge Income Fund.

AUDITORS' REPORT

To the Directors of the General Partner of Alliance Pipeline Limited Partnership

We have audited the balance sheets of Alliance Pipeline Limited Partnership as at December 31, 2002 and 2001 and the statements of income, cash flows and changes in partners' equity for each of the years in the three-year period ended December 31, 2002. These financial statements are the responsibility of the general partner. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the partnership as at December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
February 12, 2003

(Signed) ERNST & YOUNG LLP
Chartered Accountants

ALLIANCE PIPELINE LIMITED PARTNERSHIP
BALANCE SHEETS
CAD \$000

	As at March 31, 2003 <u>(unaudited)</u>	As at December 31, 2002	As at December 31, 2001 <u>(restated – note 3)</u>
ASSETS (note 7)			
Current			
Cash and cash equivalents (note 4)	4,198	7,075	4,669
Cash and cash equivalents in trust (note 4)	202,116	145,908	165,303
Transportation security deposits (note 8)	47,350	47,046	—
Trade accounts receivable (note 9)	35,994	36,957	35,034
Prepaid expenses	3,338	4,496	4,692
Inventory	4,363	4,440	2,867
	<u>297,359</u>	<u>245,922</u>	<u>212,565</u>
Long-term receivable (note 5)	47,845	45,139	27,520
Deferred financing charges (net of accumulated amortization of \$2,587 (2002 — \$2,339; 2001 — \$1,451))	11,568	9,117	10,304
Capital assets (note 6)	2,456,009	2,477,872	2,544,701
	<u>2,812,781</u>	<u>2,778,050</u>	<u>2,795,090</u>
LIABILITIES AND PARTNERS' EQUITY			
Current			
Trade accounts payable and accrued liabilities (note 9)	42,898	24,136	18,934
Transportation revenue adjustment (notes 5 and 10)	21,794	25,399	10,619
Transportation security deposits (note 8)	47,350	47,046	—
Current portion of long-term debt (note 7)	67,533	69,679	64,302
	<u>179,575</u>	<u>166,260</u>	<u>93,855</u>
Long-term liabilities (notes 5 and 10)	8,640	6,241	6,477
Long-term debt (note 7)	1,809,798	1,785,405	1,855,085
Commitments and contingencies (note 11)			
Partners' equity (notes 12 and 16)	814,768	820,144	839,673
	<u>2,812,781</u>	<u>2,778,050</u>	<u>2,795,090</u>

On behalf of Board of Directors of General Partner of Alliance Pipeline Limited Partnership.

(Signed) J. RICHARD BIRD
Director

(Signed) PATRICK D. DANIEL
Director

See accompanying notes

ALLIANCE PIPELINE LIMITED PARTNERSHIP
STATEMENTS OF INCOME
CAD \$000

	Three months ended March 31,		Years ended December 31,		
	2003 <small>(unaudited)</small>	2002 <small>(unaudited)</small>	2002	2001 <small>(restated – note 3)</small>	2000 <small>(restated – note 3)</small>
Revenues					
Transportation revenue (notes 5 and 9)	97,516	93,217	382,263	386,555	34,664
Interest income	1,453	897	4,814	7,168	4,946
Allowance for equity funds used during construction	58	6	72	—	72,763
Allowance for partners' taxes during construction	—	—	—	—	8,781
	<u>99,027</u>	<u>94,120</u>	<u>387,149</u>	<u>393,723</u>	<u>121,154</u>
Expenses					
General and administrative	6,420	6,062	23,007	22,467	3,507
Operations and maintenance (note 9)	10,719	9,559	46,385	39,077	1,919
Costs incurred under administrative services agreements (note 9)	2,975	3,703	11,216	11,108	716
Reimbursement under administrative services agreements (note 9)	(3,917)	(4,760)	(15,521)	(15,240)	(1,049)
Other	(10)	136	1,258	382	60
Depreciation	28,388	27,739	113,720	113,111	9,410
Interest and amortization of deferred financing charges	29,728	26,406	108,013	120,557	11,809
Interest during construction	—	—	—	—	101,236
Allowance for debt funds used during construction	—	—	—	—	(96,864)
Construction overhead	—	—	—	—	38,989
Construction overhead and other income/expense capitalized	—	—	—	—	(38,989)
	<u>74,303</u>	<u>68,845</u>	<u>288,078</u>	<u>291,462</u>	<u>30,744</u>
Net income for the period	<u>24,724</u>	<u>25,275</u>	<u>99,071</u>	<u>102,261</u>	<u>90,410</u>

See accompanying notes

ALLIANCE PIPELINE LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
CAD \$000

	Three months ended March 31,		Years ended December 31,		
	2003 (unaudited)	2002 (unaudited)	2002	2001 (restated – note 3)	2000 (restated – note 3)
Operating					
Net income	24,724	25,275	99,071	102,261	90,410
Add (deduct) non-cash items:					
Allowance for equity funds used during construction	(58)	(6)	(72)	—	(72,763)
Allowance for partners' taxes during construction	—	—	—	—	(8,781)
Depreciation	28,388	27,739	113,720	113,111	9,410
Non-cash transportation revenue (note 5)	(3,304)	1,546	(3,208)	(8,185)	(3,123)
Long-term portion of incentive plan	(608)	(273)	133	884	—
Amortization of deferred finance charges	248	208	889	928	612
Other	—	—	—	(465)	(584)
Changes in non -cash working capital (note 13) . .	27,145	19,596	(1,876)	9,662	(31,167)
Cash provided by (used in) operating activities . .	<u>76,535</u>	<u>74,085</u>	<u>208,657</u>	<u>218,196</u>	<u>(15,986)</u>
Investing					
Additions to capital assets	(12,764)	(5,789)	(42,019)	(34,664)	(945,311)
Cash used in investing activities	<u>(12,764)</u>	<u>(5,789)</u>	<u>(42,019)</u>	<u>(34,664)</u>	<u>(945,311)</u>
Financing					
Capital contributions	—	—	—	—	218,101
Distributions to partners	(30,100)	(32,200)	(118,600)	(111,500)	—
Issue of long-term debt	400,000	—	—	800,000	735,399
Financing charges	(2,587)	(89)	(724)	(4,698)	(344)
Repayment of long-term debt	(377,753)	(7,162)	(64,303)	(817,012)	—
Cash (used in) provided by financing activities . .	<u>(10,440)</u>	<u>(39,451)</u>	<u>(183,627)</u>	<u>(133,210)</u>	<u>953,156</u>
Net increase (decrease) in cash and cash equivalents	53,331	28,845	(16,989)	50,322	(8,141)
Cash and cash equivalents, beginning of period . .	152,983	169,972	169,972	119,650	127,791
Cash and cash equivalents, end of period	<u>206,314</u>	<u>198,817</u>	<u>152,983</u>	<u>169,972</u>	<u>119,650</u>
Cash and cash equivalents (note 4)	4,198	3,366	7,075	4,669	4,658
Cash and cash equivalents in trust (note 4)	202,116	195,451	145,908	165,303	114,992
	<u>206,314</u>	<u>198,817</u>	<u>152,983</u>	<u>169,972</u>	<u>119,650</u>

See accompanying notes

ALLIANCE PIPELINE LIMITED PARTNERSHIP
STATEMENTS OF CHANGES IN PARTNERS' EQUITY
CAD \$000

	Class A units		Class B units		Contributed Surplus \$	General Partner \$	Total \$
	Units	\$	Units	\$			
Balance at January 1, 2000	356,353.9	438,864	73,557.9	92,225	61	9,251	540,401
Contributions by partners	199,853.3	215,842	—	—	100	2,159	218,101
Net income (restated — note 3)	—	74,191	—	15,315	—	904	90,410
Balance at December 31, 2000 . .	556,207.2	728,897	73,557.9	107,540	161	12,314	848,912
Net income (restated — note 3)	—	89,414	—	11,824	—	1,023	102,261
Distributions to partners (note 12)	—	(97,492)	—	(12,893)	—	(1,115)	(111,500)
Balance at December 31, 2001 . .	556,207.2	720,819	73,557.9	106,471	161	12,222	839,673
Net income	—	86,624	—	11,456	—	991	99,071
Distributions to partners (note 12)	—	(103,700)	—	(13,714)	—	(1,186)	(118,600)
Balance at December 31, 2002 . .	556,207.2	703,743	73,557.9	104,213	161	12,027	820,144
Net income (<i>unaudited</i>)	—	21,618	—	2,859	—	247	24,724
Distributions to partners (note 12) (<i>unaudited</i>)	—	(26,318)	—	(3,481)	—	(301)	(30,100)
Balance at March 31, 2003 (<i>unaudited</i>)	556,207.2	699,043	73,557.9	103,591	161	11,973	814,768
Net contributions		597,541		78,388	161	10,691	686,781
Cumulative net income		329,012		55,291	—	3,884	388,187
Cumulative distributions		(227,510)		(30,088)	—	(2,602)	(260,200)
Balance at March 31, 2003 (<i>unaudited</i>)		699,043		103,591	161	11,973	814,768

See accompanying notes

ALLIANCE PIPELINE LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

**(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)**

All amounts in thousands of Canadian dollars unless otherwise stated.

1. GENERAL

Alliance Pipeline Limited Partnership (the "Partnership") was formed in the Province of Alberta and is managed by the General Partner, Alliance Pipeline Ltd. (the "General Partner"). The Partnership designed, constructed, commissioned and, on December 1, 2000, commenced commercial operation of the Canadian portion (approximately 1,560 km) of an approximately 3,000 km high-pressure, natural gas transmission system and an approximately 700 km lateral pipeline system.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of certain of the Partnership's assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

The Partnership's pipeline operations are regulated by the National Energy Board ("NEB"). In order to achieve a proper matching of revenues and expenses, recognition of certain revenues and expenses may differ from that otherwise expected under generally accepted accounting principles applicable to non-regulated businesses.

The financial statements reflect the financial position and results of operations of the Partnership. The financial statements do not include all the assets, liabilities, revenues and expenses of the partners. The financial statements do not reflect income tax as the taxable income or loss of the Partnership is allocated to the individual partners based upon their respective percentage ownership of the Partnership.

The interim financial statements as at March 31, 2003 and for the three months ended March 31, 2003 and 2002 have been prepared by management following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2002 as disclosed in the notes to the financial statements. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2003.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant policies summarized below:

Cash equivalents

Cash equivalents consist of highly liquid short-term investments with maturities of three months or less. A portion of these short term investments are held in trust accounts which are available for current purposes.

Deferred financing charges

All costs directly associated with arranging Partnership financing of Senior Notes are capitalized as deferred financing charges and amortized over the life of the related debt using the effective interest rate method. Prior to the commencement of commercial operations, amortization of deferred financing charges was included as a component of the allowance for debt funds used during construction.

Inventory

Materials and supplies are valued at the lower of average cost or net realizable value.

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

**(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)**

All amounts in thousands of Canadian dollars unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Pipeline in service, including pipeline linepack and allowance for funds used during construction as noted below, is recorded at cost and is being depreciated on a 4% per annum straight-line basis commencing from the in-service date. General plant assets, consisting of field offices and ancillary equipment, are recorded at cost and are being depreciated, on a straight-line basis over the life of the asset with rates ranging from 4 to 33% per annum. Administrative assets, which include head office furniture and equipment, information systems and leasehold improvements, are recorded at cost and depreciated on a straight-line basis over the life of the asset with rates ranging from 10 to 33% per annum.

The cost of pipeline in service is reduced by contributions in aid of construction received from third parties in support of constructing specific pipeline facilities.

The allowance for funds used during construction ("AFUDC") represents the cost of debt and equity financing incurred during construction that is expected to be recovered in future rates. Accordingly, these costs were capitalized.

The partners are entitled to earn an after-tax rate of return of 11.3% for the equity portion of the AFUDC. The debt portion of the AFUDC is comprised of interest expense, commitment fees and credit facility financing fees incurred during construction. Interest income derived from debt sourced funds was netted against interest expense in determining the allowance for debt funds used during construction. Interest income attributable to equity sourced funds was included in net income in the year earned.

Removal and site restoration costs are not determinable and will be recorded when reasonably estimable.

Foreign currency translation

The Partnership's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates in effect on the date the assets were acquired or liabilities were assumed. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in income when incurred.

Revenue recognition

The Partnership's transportation contracts are designed to provide the Partnership with toll revenues sufficient to recover the costs of providing transportation service to shippers, including operating and maintenance and administrative costs and allowances for depreciation, deemed taxes, costs of indebtedness, and an allowed return on equity. The portion of such costs expected to be recovered each year under the existing transportation contracts is equal to the percentage of the firm transportation capacity held under such contracts. At March 31, 2003, 100% (December 31, 2002 and 2001 — 100%) of the firm capacity was contracted under firm-service transportation service agreements ending in 2015.

The period in which costs are recovered from toll receipts may differ from the period that these costs are expensed in the financial statements. Transportation revenues include amounts related to expenses in the financial statements that are expected to be recovered from shippers in future tolls. Similarly, no revenue is recognized in a given period for tolls received that do not relate to current period expenses per these

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

financial statements. Differences between the recorded transportation revenue and actual toll receipts give rise to receivable or payable balances.

Shipper imbalances

The Partnership may experience slight physical imbalances between the volume of gas received from its shippers, and the volume of gas delivered to downstream interconnects, which affects the volume of the Partnership's pipeline linepack, the cost of which is included in capital assets. Shippers are obligated to rectify these imbalances in short order by arranging for the necessary physical delivery of natural gas at the pipeline receipt points or at the downstream interconnects. Accordingly, no receivables or payables balances related to shipper imbalances are recognized in the financial statements.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2002, the partnership changed its method of accounting for income taxes. The change has been applied retroactively with restatement of prior periods presented. The new accounting method reflects the accounts of the partnership on a before tax basis, which is consistent with generally accepted accounting principles for a partnership. As a result of this change in accounting, the Partnership's net income for the years ended December 31, 2001 and 2000 increased by \$9.2 million and \$10 million respectively. Partner's equity at each of these dates remained unchanged.

Previously, provincial capital and large corporations taxes were recorded in the accounts to reflect the estimated taxes expected to be recovered in transportation tolls. As the partnership is not a taxable entity, the new method of accounting better reflects the results of operations and the amounts available for distribution to the partners.

4. CASH AND CASH EQUIVALENTS

	March 31, 2003	December 31,	
	\$	2002	2001
	\$	\$	\$
Cash in trust accounts			
Debt service	107,913	73,467	75,016
Operations and working capital	68,163	62,377	52,787
Construction completion	7,501	7,692	11,281
Exclusive for capital expenditures	18,539	2,372	26,219
	202,116	145,908	165,303
Cash in non-trust accounts	4,198	7,075	4,669
	206,314	152,983	169,972

Pursuant to its long-term debt arrangements (note 7), the Partnership is required to maintain funds in debt service trust accounts. Current debt service costs and principal repayments must be deposited into a debt service account. As well, a debt service reserve account must be sufficiently funded to meet principal and interest payments for a period of six months beyond the current month-end. At least 30% of the debt

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

**(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)**

All amounts in thousands of Canadian dollars unless otherwise stated.

4. CASH AND CASH EQUIVALENTS (Continued)

service reserve account must be funded by equity funds. This requirement is currently satisfied by letters of credit provided directly by the limited partners, the cost of which is reimbursed by the Partnership. Cash and cash equivalents at March 31, 2003 include \$107.9 million (December 31, 2002 — \$73.5 million; December 31, 2001 — \$75.0 million) of funds held in debt service trust accounts.

Under the terms of its long-term debt arrangements, all funds received from shippers in settlement of transportation tolls, as well as interest earned on trust account balances, are to be segregated in a trust account and must first be applied to meet debt service and operating requirements before distributions, if any, are made to the partners. At the completion of each fiscal quarter end, management determines the amount of cash and cash equivalents necessary to satisfy this requirement and applies to have funds in excess of this amount transferred to a non-trust account. Cash and cash equivalents at March 31, 2003 include \$68.2 million (December 31, 2002 — \$62.4 million; December 31, 2001 — \$52.8 million) of funds held in operating and working capital trust accounts. Only funds in non-trust accounts may be distributed as authorized by the Board of Directors of the General Partner.

At the time the Partnership made its final draw under the credit facility, the Partnership set aside in a separate trust account an amount estimated to be sufficient to pay all remaining costs of constructing and commissioning the pipeline, including related reclamation costs. Pursuant to a security trust agreement, these funds can only be used for those purposes, and 70% of any remaining balance applied to repay long-term debt and the remainder may be returned to partners or used to meet other equity funding requirements. Cash and cash equivalents at March 31, 2003 include \$7.5 million (December 31, 2002 — include \$7.7 million; December 31, 2001 — \$11.3 million) remaining in this trust account, which in management's opinion is sufficient to pay the remaining costs of constructing and commissioning the pipeline.

At March 31, 2003, cash and cash equivalents totaling \$18.5 million (December 31, 2002 — \$2.4 million; December 31, 2001 — \$26.2 million) representing proceeds from the issue of Senior Notes not applied against the Credit Facility, have been retained in a separate trust account and may only be applied to fund capital expenditures.

5. TRANSPORTATION REVENUE

The period in which costs are recovered from toll receipts may differ from the period that these costs are expensed in the financial statements. The Partnership increased its transportation revenue for the three months ended March 31, 2003 by \$3.3 million (three months ended March 31, 2002 — decrease of \$1.5 million) (year ended December 31, 2002 increase of \$3.2 million; 2001 — increase of \$8.2 million; 2000 — increase of \$3.1 million) to reflect the amounts included in the financial statements which are expected to be recovered from (returned to) shippers in future tolls.

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

5. TRANSPORTATION REVENUE (Continued)

The following tables summarize the adjustments to transportation revenue:

	Three months ended March 31,	
	2003	2002
	\$	\$
Tolls invoiced	94,212	94,763
Increase (decrease) related to:		
Accounting depreciation rate	2,706	3,866
Differences from current year cost of service estimates	(5,751)	(8,067)
Prior year's over-recovery	6,349	2,655
	3,304	(1,546)
Transportation revenue	97,516	93,217

	Years ended December 31,		
	2002	2001	2000
	\$	\$	\$
Tolls invoiced	379,055	378,370	31,541
Increase (decrease) related to:			
Accounting depreciation rate	17,618	25,249	2,271
Differences from current year cost of service estimates	(25,029)	(17,064)	852
Prior year's over-recovery	10,619	—	—
	3,208	8,185	3,123
Transportation revenue	382,263	386,555	34,664

Accounting depreciation rate

The long-term receivable at March 31, 2003 includes a regulatory asset of \$47.8 million (December 31, 2002 — \$45.1 million; December 31, 2001 — \$27.5 million) related to the cumulative difference between depreciation expense included in the financial statements and depreciation expense included in transportation tolls. The Partnership expects to recover this difference over a number of years when depreciation rates as prescribed in the transportation agreements are expected to exceed the depreciation rates applied in the financial statements.

Cost of service toll estimate

The Partnership estimates the tolls necessary to recover the projected cost of providing transportation service to its shippers in accordance with its transportation contracts and National Energy Board (“NEB”) regulations. The tolls are submitted to shippers and filed with the NEB. Tolls invoiced include amounts relating to differences between the estimated and actual costs of providing transportation service in a prior year.

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

5. TRANSPORTATION REVENUE (Continued)

At March 31, 2003 current liabilities includes a transportation revenue adjustment of \$21.8 million (December 31, 2002 — \$25.4 million; December 31, 2001 — \$10.6 million) and long-term liabilities include \$8.2 million (December 31, 2002 — \$5.2 million; December 31, 2001 — \$5.6 million) (note 10) which relate to differences between expenses included in the financial statements and expenses included in transportation tolls.

6. CAPITAL ASSETS

	As at March 31, 2003	As at December 31,	
	\$	2002 \$	2001 \$
Cost			
Pipeline in service	2,685,756	2,664,277	2,644,022
General plant assets	6,374	6,373	6,195
Administrative assets	31,697	30,801	25,216
Land	1,766	1,634	1,128
Assets under construction	4,383	20,366	—
	<u>2,729,976</u>	<u>2,723,451</u>	<u>2,676,561</u>
Accumulated depreciation			
Pipeline in service	246,689	220,075	114,379
General plant assets	2,388	2,127	1,084
Administrative assets	24,890	23,377	16,397
	<u>273,967</u>	<u>245,579</u>	<u>131,860</u>
	<u>2,456,009</u>	<u>2,477,872</u>	<u>2,544,701</u>

7. LONG-TERM DEBT

	As at March 31, 2003	As at December 31,	
	\$	2002 \$	2001 \$
Credit Facility	427,573	805,326	833,973
Senior Notes:			
7.230% due 2015	286,103	286,103	295,512
7.181% due 2023	425,138	425,138	439,902
7.217% due 2025	338,517	338,517	350,000
6.765% due 2025	400,000	—	—
	<u>1,877,331</u>	<u>1,855,084</u>	<u>1,919,387</u>
Less: current portion of long-term debt	(67,533)	(69,679)	(64,302)
	<u>1,809,798</u>	<u>1,785,405</u>	<u>1,855,085</u>

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

7. LONG-TERM DEBT (Continued)

Long-term debt commitments and covenants

Scheduled principal repayments of long-term debt for the years ended December 31 are as follows:

	\$
2003	69,679
2004	75,009
2005	80,336
2006	54,853
2007	52,212
Thereafter	1,522,995

Certain assets of the Partnership are pledged as collateral to the Partnership's lenders and to the lenders of Alliance Pipeline L.P., which operates the United States portion of the Alliance pipeline system. In addition, the Partnership's debt agreements contain a provision whereby a bankruptcy or insolvency action by Aux Sable Extraction LP, a party related by common control may constitute a default under the debt agreements of the Partnership and Alliance Pipeline LP.

The Partnership's long-term debt is collateralized by a first priority perfected security interest in the Partnership's transportation agreements with its shippers, the Partnership's NEB permit, certain other material contracts and the trust accounts into which the Partnership's transportation revenue is deposited and a floating charge debenture over the Partnership's real property and tangible personal property. The Partnership is required to meet certain conditions and adhere to certain covenants typical of project financing facilities on an on-going basis.

Credit facility

The credit facility is to be repaid quarterly over an eight-year period ending December 21, 2008, with the first payment made March 31, 2001. During the three months ended March 31, 2003, \$370 million of the credit facility was repaid with proceeds from the 6.765% senior notes issued under the base shelf prospectus. Regular quarterly repayments are closely linked to the recovery rates for capital depreciation contained in the Partnership's transportation agreements, with a large balloon payment due December 21, 2008. Approximately \$91 million of the outstanding loan balance at March 31, 2003 will be repaid over the remaining term of the loan, with the balance of approximately \$336.6 million repayable on December 21, 2008. Prepayments may be made on the credit facility without penalty.

Interest is accrued and payable based on floating interest rates determined by a combination of the Canadian dollar London Interbank Offered Rate and bankers' acceptance rate, plus applicable margins, for terms not exceeding six months. Upon each maturity, the interest rates are reset at the then prevailing interest rates. Amounts outstanding under the credit facility at March 31, 2003 bear interest at an average interest rate of 4.16% (December 31, 2002 — 3.85%; December 31, 2001 — 3.43%) and matures April 30, 2003.

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

**(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)**

All amounts in thousands of Canadian dollars unless otherwise stated.

7. LONG-TERM DEBT (Continued)

Senior notes

On January 16, 2003 the Partnership issued \$400 million of 6.765% Senior Notes under a base shelf prospectus which expired on March 31, 2003.

During the year ended December 31, 2001, the Partnership issued \$450 million of 7.181% and \$350 million of 7.217% Senior Notes by way of public offers under the base shelf prospectus.

The Senior Notes are collateralized on the same basis as the credit facility and rank equally in right of payment with the credit facility.

The Senior Notes may be redeemed by the Partnership at any time at a price equal to the greater of: (i) the Government of Canada yield price plus a premium; and (ii) par, together with accrued interest. The Partnership may be required to redeem the Senior Notes in whole or in part, from proceeds received under insurance claims or other claims for damages if the proceeds are not applied to repair or rebuild the Alliance pipeline system.

Interest on the Senior Notes is payable semi-annually. Principal repayments commenced June 30, 2001 for the 7.181% Senior Notes, on December 31, 2001 for the 7.23% Senior Notes and on June 30, 2002 for the 7.217% Senior Notes and are due semi-annually thereafter. Principle repayments commence June 30, 2003 for the 6.765% Senior Notes and are due semi-annually thereafter. Principal repayments are closely tied to the recovery rates for depreciation contained in the transportation agreements.

Revolving loan facility

The Partnership has secured a \$10 million revolving loan facility. The facility terms are generally consistent with the existing credit facility terms except that amounts may be drawn and repaid at the Partnership's discretion. Interest is accrued and payable based on floating interest rates determined from the bankers' acceptance rate, plus applicable margins. The facility may also be cancelled at any time at the sole discretion of the lender, at which time all amounts outstanding become due and payable. No draws have been made on the facility since inception.

8. TRANSPORTATION SECURITY DEPOSITS

In accordance with the Partnership's transportation agreements, shippers who fail to maintain specified credit ratings or suitable financial position are required to provide letters of credit or other suitable security. Certain shippers have elected to satisfy their security requirement by making cash deposits to the Partnership. The cash has been placed into trust accounts and the Partnership is not entitled to use the cash deposited for its own purposes unless and until the shipper has defaulted in performing its obligations in respect of the transportation agreement, at which time the Partnership's security interest becomes enforceable. Interest, if any, earned on these balances is for the benefit of the shipper.

9. RELATED PARTY TRANSACTIONS

Administrative and operation services agreements allow for the Partnership to provide/receive services to/from Alliance Pipeline L.P., Alliance Pipeline Inc. (for the year ended December 31, 2000), Aux Sable Liquid Products LP, Aux Sable Canada LP and Alliance Canada Marketing LP (related parties by virtue of common ownership interests) in exchange for reimbursement of incurred costs or at rates consistent with

ALLIANCE PIPELINE LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

9. RELATED PARTY TRANSACTIONS (Continued)

those obtainable from independent third parties. Certain amounts reimbursed under the service agreements with Alliance Pipeline L.P. (and prior to January 1, 2001, Aux Sable Liquid Products LP) also include a recovery of costs relating to the use of common administrative assets.

The General Partner provides administrative services to the Partnership and is reimbursed for the cost of these services under the terms of the partnership agreement. Services are invoiced and settled on a monthly basis.

Amounts charged to (from) related parties for administrative and operations services rendered:

	Three months ended March 31,	
	2003	2002
	\$	\$
Alliance Pipeline L.P.	3,980	3,766
Alliance Pipeline L.P.	(23)	(24)
Alliance Pipeline Ltd.	(8,620)	(8,677)
Aux Sable Liquid Products LP	79	121
Aux Sable Canada LP	68	57
Alliance Canada Marketing LP	5	13

	Years ended December 31,		
	2002	2001	2000
	\$	\$	\$
Alliance Pipeline L.P.	15,775	15,494	8,552
Alliance Pipeline L.P.	(95)	(94)	(8)
Alliance Pipeline Inc.	—	—	(207)
Alliance Pipeline Ltd.	(24,257)	(24,161)	(14,566)
Aux Sable Liquid Products LP	372	315	1,782
Aux Sable Canada LP	237	247	108
Alliance Canada Marketing LP	61	78	35

The Partnership was invoiced \$0.3 million for the three months ended March 31, 2003 (years ended December 31, 2002 — \$1.0 million; 2001 — \$1.2 million and 2000 — \$268 thousand) primarily for transportation capacity utilized on Westcoast Energy Inc. (“Westcoast”) an affiliate of a limited partner, transmission system in northeastern British Columbia. During the three months ended March 31, 2003, the Partnership reimbursed Westcoast \$ nil (2002 — \$ nil; year ended December 31, 2002 — \$nil; 2001 — \$3.3 million; 2000 — \$607 thousand) for engineering and construction costs related to certain pipeline interconnect facilities to Westcoast’s transmission system. The Partnership was reimbursed \$150 thousand during the three months ended March 31, 2003 (2002 — \$75 thousand; years ended December 31, 2002 — \$2.4 million; 2001 and 2000 — nil) from Aux Sable Canada LP for costs associated with the construction of a meter station.

The Partnership has firm 15-year transportation services agreements with shippers under which a shipper is obligated to pay monthly demand charges based on the shipper’s contracted volume. A number of these shippers, accounting for approximately 32% of the contracted capacity at March 31, 2003 (2002 — 43%;

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

9. RELATED PARTY TRANSACTIONS (Continued)

years ended December 31, 2002 — 43%; 2001 — 36%), are also affiliates of limited partners; however, the terms of these contracts were the same as those agreed to with independent third parties. The Partnership recorded transportation revenue of \$20.6 million for the three months ended March 31, 2003 (2002 — \$27.2 million; years ended December 31, 2002 — \$110.1 million; 2001 — \$82.7 million and 2000 — \$7.1 million) (net of capacity assignments) for charges to shippers who are affiliates of limited partners. Trade accounts receivable at March 31, 2003 includes \$7.2 million (December 31, 2002 — \$10.2 million; 2001 — \$6.8 million) of transportation revenue receivable from shippers who are affiliates of limited partners.

Transportation security deposits at March 31, 2003 includes \$3.2 million (December 31, 2002 — \$44.1 million) from shippers that are also affiliates of limited partners.

Amounts due from (to) related parties (excluding transportation revenue) as at:

	March 31, 2003	December 31,	
	\$	2002	2001
	\$	\$	\$
Alliance Pipeline L.P.	1,515	2,215	1,006
Alliance Pipeline Ltd.	(132)	(136)	(104)
Aux Sable Liquid Products LP	51	38	24
Aux Sable Canada LP	192	453	63
Alliance Canada Marketing LP	2	14	5

10. LONG-TERM LIABILITIES

Long-term Incentive Plans as at

	March 31, 2003	December 31,	
	\$	2002	2001
	\$	\$	\$
Total amount accrued	1,641	2,324	2,869
Less current portion	(1,232)	(1,307)	(1,985)
Long-term portion	409	1,017	884

Effective January 1, 2001, selected key employees of the General Partner were granted participation in a long-term incentive plan that bases awards on the achievement of specified annual performance goals. Awards under the plan are earned during the current year and paid in three equal portions, at dates specified by the General Partner, over the subsequent three-year period. The costs of this plan, which are recoverable from the Partnership under the terms of the partnership agreement (note 9), are accrued in the year they are earned.

Amounts outstanding for long-term incentive plans at March 31, 2003 include \$0.5 million (December 31, 2002 — \$0.6 million; 2001 — \$1.5 million) classified as current for the unexercised portion of the liability accrued under the phantom unit plan, an incentive plan, which concluded at the end of the construction period.

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

10. LONG-TERM LIABILITIES (Continued)

Transportation revenue adjustment as at

	March 31, 2003	December 31,	
	\$	2002	2001
		\$	\$
Total amount accrued	30,025	30,623	16,212
Less current portion	(21,794)	(25,399)	(10,619)
Long-term portion	8,231	5,224	5,593

The Partnership estimates the tolls necessary to recover the projected cost of providing transportation service to its shippers in accordance with its transportation contracts and NEB regulations. The tolls are submitted to shippers and filed with the NEB. Tolls include amounts relating to differences between estimated and actual costs of providing transportation service in a prior year. The Partnership's toll for the year 2003, filed prior to the end of the 2002 toll period, included an estimate of \$25.4 million (2001 — \$10.6 million) for the difference arising in the 2002 and 2001 toll periods. The balance of \$5.2 million of the actual 2002 difference will be adjusted in the Partnership's 2004 toll.

11. COMMITMENTS AND CONTINGENCIES

The Partnership has operating lease commitments for office premises, vehicles and maintenance equipment. Expected minimum lease payments in future years ended December 31 are as follows:

	\$
2003	11,475
2004	3,718
2005	3,358
2006	3,082
2007	3,596
Thereafter	11,521
	36,750

The Partnership is, or may be named as, a party to various legal claims associated with its normal course of business. As at the date of these financial statements, the resolution of these claims is not expected to have a material adverse impact on the Partnership's financial position or operations.

12. PARTNERS' EQUITY (NOTE 16)

The Partnership is authorized to issue an unlimited number of Class A and B units. The Class A and B units are voting and participate equally in profits, losses and capital distributions of the Partnership.

Any units issued by the Partnership must be first offered to the existing group of partners in proportion to their ownership interests. Any units not purchased in the Partnership's initial offering and any units offered for sale by any of the existing partners to non-owners must first be offered to the existing partners. Generally, only units not purchased by the existing partners can be issued to outside parties.

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)

All amounts in thousands of Canadian dollars unless otherwise stated.

12. PARTNERS' EQUITY (NOTE 16) (Continued)

During the three months ended March 31, 2003, the Partnership made distributions of \$30.1 million (March 31, 2002 — \$32.2 million) (years ended December 31, 2002 — \$118.6 million; 2001 — \$111.5 million; 2000 — nil).

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2003	2002
	\$	\$
Non-cash working capital changes:		
Accounts receivable	963	(914)
Inventory and prepaid expenses	1,235	151
Accounts payable and accrued liabilities and transportation revenue adjustment	15,157	17,727
	17,355	16,964
Working capital attributable to operating activities	27,145	19,596
Related to non-cash transportation revenue	(3,605)	760
Attributable to operating activities	23,540	20,356
Attributable to financing activities	112	(88)
Attributable to investing activities	(6,297)	(3,304)
	17,355	16,964
Interest and financing fee payments	7,917	5,692

	Years ended December 31,		
	2002	2001	2000
	\$	\$	\$
Non-cash working capital changes:			
Accounts receivable	(1,923)	23,122	(45,521)
Inventory and prepaid expenses	(1,377)	1,308	(2,284)
Accounts payable and accrued liabilities and transportation revenue adjustment	19,982	(11,559)	(90,809)
	16,682	12,871	(138,614)
Working capital attributable to operating activities	(1,876)	9,662	(31,167)
Related to non-cash transportation revenue	14,780	10,619	—
Attributable to operating activities	12,904	20,281	(31,167)
Attributable to financing activities	(1,022)	454	(20)
Attributable to investing activities	4,800	(7,864)	(107,427)
	16,682	12,871	(138,614)
Interest and financing fee payments	110,713	117,339	123,633

ALLIANCE PIPELINE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS (Continued)

**(Amounts as at March 31, 2003 and for the
three months ended March 31, 2003 and 2002 are unaudited)**

All amounts in thousands of Canadian dollars unless otherwise stated.

14. FINANCIAL INSTRUMENTS AND CREDIT RISK

Borrowings under the credit facility consist of instruments with short maturities and rates based on market interest rates; the carrying value approximates fair value. The aggregate fair value of the Senior Notes as at March 31, 2003, based on quoted market prices, is \$1,491.2 million (December 31, 2002 — \$1,125.7 million; 2001 — \$1,110.5 million) compared with the aggregate carrying value of \$1,449.8 million (December 31, 2002 — \$1,049.8 million; 2001 — \$1,085.4 million).

Cash and cash equivalents consist of amounts held in cash deposit accounts with a Canadian chartered bank, as well as investments in deposit instruments and/or commercial paper. Deposit instruments are restricted to government securities or deposits issued by reputable financial institutions maintaining specified minimum credit ratings and meeting certain capitalization tests. Commercial paper investments are limited to those issuers with a minimum credit rating of R-1 (low) as rated by the Dominion Bond Rating Service or equivalent ratings from Standard and Poors Rating Services and Moody's Investor Services, Inc. The Partnership limits its holdings of deposit instruments and commercial paper issued by any one non-governmental issuer. All investments have a maximum term to maturity of three months. Due to the short-term, floating-rate nature of cash and cash equivalents, the carrying values do not differ materially from the fair values.

Other financial instruments, including accounts receivable and accounts payable are short-term in nature; thus, their fair values approximate their carrying values.

The Partnership is exposed to credit risk since its business is concentrated in the natural gas transportation industry and its revenue is dependent upon the ability of its shippers to pay their monthly demand charges. A majority of the shippers operate in the oil and gas exploration and development or energy marketing transportation industries and may be exposed to long-term downturns in energy commodity prices, including the price for natural gas, or other credit events impacting these industries. Should shippers be unable to fulfill their obligations under the transportation contracts with the Partnership and if suitable replacement shippers were not available, the Partnership may not be able to recover its operating and financing costs or make distributions to its partners. The Partnership limits, to some degree, its exposure to this credit risk by requiring its shippers to provide letters of credit or other suitable security unless they maintain specified credit ratings or suitable financial position (note 8).

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in 2003.

16. SUBSEQUENT EVENT

The Partnership, on approval from the Board of Directors of the General Partner, made a distribution to partners totalling \$32.4 million on April 30, 2003.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: June 23, 2003

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part XIV of *The Securities Act* (Newfoundland) and by Part II of the *Securities Act* (Prince Edward Island) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

ENBRIDGE INCOME FUND

By: ENBRIDGE MANAGEMENT SERVICES INC.
Administrator of the Fund

By: (Signed) J. RICHARD BIRD
President
(as Chief Executive Officer)

By: (Signed) CHRISTOPHER J. JOHNSTON
Controller
(as Chief Financial Officer)

By: (Signed) PATRICK D. DANIEL
Director

By: (Signed) STEPHEN J. WUORI
Director

ON BEHALF OF THE PROMOTER

ENBRIDGE INC.

By: (Signed) PATRICK D. DANIEL
President & Chief Executive Officer

By: (Signed) STEPHEN J. WUORI
Group Vice President & Chief Financial Officer

CERTIFICATE OF UNDERWRITERS

Dated: June 23, 2003

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part XIV of *The Securities Act* (Newfoundland) and by Part II of the *Securities Act* (Prince Edward Island) and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

By: (Signed) AARON M. ENGEN

By: (Signed) BRETT M. GELLNER

RBC DOMINION SECURITIES INC.

By: (Signed) TIMOTHY W. WATSON

**NATIONAL BANK
FINANCIAL INC.**

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) ROBERT B. WONNACOTT

By: (Signed) MARK HERMAN

By: (Signed) ROBERT J. MASON

HSBC SECURITIES (CANADA) INC.

By: (Signed) ROD A. MCISAAC

