

Inter Pipeline Fund Announces May 2011 Cash Distribution

CALGARY, ALBERTA, May 5, 2011: Inter Pipeline Fund (“Inter Pipeline”) (TSX: IPL.UN) announced today the declaration of a cash distribution of \$0.08 per unit for May 2011. This distribution will be paid on or about June 15th, 2011 to unitholders of record on May 24th, 2011.

Based on the results of Inter Pipeline’s long-term planning models, Inter Pipeline believes its distributions are sustainable at current levels despite becoming a taxable entity in 2011. This view is based on Inter Pipeline’s continuing strong financial performance, attractive fundamentals in each of its business segments and higher cash flow resulting from the Corridor expansion project and other organic growth projects currently under development.

It is also important to note that current and future cash distributions will receive more favourable tax treatment than 2010 from two perspectives. First, the taxable portion of 2011 distributions, excluding a minor portion relating to foreign source income, will be eligible for the dividend tax credit resulting in a lower effective tax rate for taxable investors. For example, using 2010 tax rates, a Canadian resident in the highest marginal tax bracket will have their effective tax rate on the eligible dividend portion of distributions reduced by approximately 16% to 24% depending on their province of residence. Previously, the entire taxable portion of Inter Pipeline’s cash distributions was classified as either business or interest income for tax purposes and not eligible for the dividend tax credit. Second, a portion of distributions is expected to be treated as a return of capital. The return of capital will not be taxable to the unitholder and will reduce the adjusted cost base of investors’ units. Therefore, investors can effectively defer payment of associated taxes until disposition of units.

Investors should be advised that income tax rates are continually subject to future legislative changes, and unitholders are advised to consult their own tax advisors regarding tax-related matters.

Inter Pipeline Fund	Inter Pipeline is a major petroleum transportation, natural gas liquids extraction, and bulk liquid storage business based in Calgary, Alberta, Canada. Structured as a publicly traded limited partnership, Inter Pipeline owns and operates energy infrastructure assets in western Canada, the United Kingdom, Germany and Ireland. Additional information about Inter Pipeline can be found at www.interpipelinefund.com	
	Inter Pipeline is a member of the S&P/TSX Composite Index. Class A Units trade on the Toronto Stock Exchange under the symbol IPL.UN.	
Eligible Investors	Only persons who are residents of Canada, or if partnerships are Canadian partnerships, in each case for purposes of the Income Tax Act (Canada) are entitled to purchase and own Class A Units of Inter Pipeline.	
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Disclaimer	Certain information contained herein may constitute forward-looking statements that involve risks and uncertainties. Forward-looking statements in this news release include, but are not limited to, statements regarding Inter Pipeline’s belief that it is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond. Readers are cautioned not to place undue reliance on forward-looking statements. Such information, although considered reasonable by the	

General Partner of Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. Such risks and uncertainties include, but are not limited to, risks associated with operations, such as loss of markets, regulatory matters, environmental risks, industry competition, potential delays and cost overruns of construction projects, including the Corridor pipeline system expansion project, and the ability to access sufficient capital from internal and external sources. You can find a discussion of those risks and uncertainties in Inter Pipeline's securities filings at www.sedar.com. The forward-looking statements contained in this news release are made as of the date of this document, and, except to the extent required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.

All dollar values are expressed in Canadian dollars unless otherwise noted.