inter pipeline **News Release**

Inter Pipeline Announces Corporate Restructuring and Distribution Increase

CALGARY, ALBERTA, June 2, 2013: Inter Pipeline Fund ("Inter Pipeline") (TSX: IPL.UN) announced today that it has completed several internal transactions related to the restructuring of its current limited partnership structure to position the business for a planned conversion to a corporate form. Inter Pipeline has indirectly purchased Pipeline Management Inc, its General Partner, for initial consideration valued at $170 million, plus adjustments, and a future second instalment valued at $170 million which is partly contingent on the outcome of certain organic growth projects currently under development. These transactions (the "Internalization Transactions") have been designed to eliminate all future management, acquisition, divestiture and incentive fees payable to an external manager.

In conjunction with the Internalization Transactions, Inter Pipeline has announced a distribution increase of $0.03 per unit on an annualized basis. Unitholders of record as of June 21, 2013 will be eligible for Inter Pipeline's new, higher level of cash distributions with initial payment on or about July 15, 2013. This increase will result in annual distribution payments of $1.14 per unit.

David Fesyk, President and Chief Executive Officer, commented, "The transactions announced today represent a positive step forward for our business. They are part of a broader plan to convert to a corporation and capture related benefits, including broader access to capital markets and certain changes to current corporate governance practices. The purchase of Inter Pipeline's General Partner has been structured on terms that help ensure immediate and long-term accretion to cash flow, as is evidenced by the board's decision to increase cash distributions payable to unitholders."

Background

Inter Pipeline is structured as a publicly-traded limited partnership. The business is managed by its General Partner which is paid certain fees based on operating cash flow results, acquisition and divestiture activity and incentive fees. The Internalization Transactions have been designed to eliminate all fees payable to an external manager. In 2012, the General Partner was paid combined fees of $18.4 million.

Incentive fees are based on a sliding scale that increasingly rewards the General Partner for cash distributions paid above certain thresholds. For example, the General Partner is entitled to 15% of incremental distributions above $1.01 per unit, 25% of incremental distributions above $1.10 per unit and 35% of incremental distributions above $1.19 per unit.

In making its decision to complete the Internalization Transactions, the board carefully considered Inter Pipeline's organic growth projects under development, the probability of future distribution increases and the magnitude of incentive fees that would become payable to the General Partner. Based on Inter Pipeline's anticipated growth profile, base management and incentive fees payable to the General Partner could reasonably be expected to exceed $50 million annually within the next 5 years.

Strong Organic Growth Profile

Inter Pipeline is currently advancing over $2.7 billion in large-scale organic development projects within its oil sands transportation business segment. These projects involve major capacity expansions and facility enhancements on both the Cold Lake and Polaris pipeline systems, all of which have been publicly announced and commercially secured.

As new construction projects are completed over the next 5 years, they are expected to generate over $335 million in incremental annual long-term EBITDA. For perspective, Inter Pipeline generated total EBITDA of $573 million in 2012. The oil sands expansion projects under active development will significantly increase cash available for distribution, resulting in expected annual accretion of approximately $0.41 per unit.

Payment Structure

Under the Internalization Transaction agreements, Inter Pipeline has indirectly purchased all outstanding shares of Pipeline Assets Corp. ("PAC"), the owner of Inter Pipeline's General Partner, Pipeline Management Inc. ("PMI"). The initial consideration is valued at $170 million, plus adjustments of approximately $8.6 million to reflect the market value of the 279,469 Class B limited partnership units held by the General Partner, fees earned by PMI prior to closing and working capital adjustments.

A second instalment valued at $170 million will be made once Inter Pipeline becomes entitled to receive revenue from both the FCCL Foster Creek and FCCL Christina Lake expansion projects which are currently under construction. These large scale expansion projects involve the integration of transportation services on the Cold Lake and Polaris pipeline systems at an estimated capital cost $2.35 billion. New diluent delivery services to the Foster Creek and Christina Lake projects are expected to be operational in mid 2014 and new bitumen blend facilities in support of the Foster Creek project are expected to be in service in early 2015. The FCCL Partnership is a business venture between Cenovus Energy and ConocoPhillips.

In the event that the Foster Creek and Christina Lake projects are not both generating revenue by January 1, 2017, the value of the second instalment will be reduced to $70 million.

PAC's shareholders have agreed to accept all consideration in the form of preferred shares rather than cash. These shares, issued by a new corporation established for the purpose of the Internalization Transactions, will carry a value that parallels the market price of Inter Pipeline's Class A limited partnership units. It is anticipated that the preferred shares issued in relation to the initial payment will be exchanged for common shares of Inter Pipeline's successor upon unitholder approval of a corporate conversion later in 2013. Similarly, it is anticipated that the preferred shares issued in relation to the second instalment will ultimately be converted into common shares of Inter Pipeline's corporate successor upon the earlier of revenue commencement from the two identified oil sands expansion projects or January 1, 2017.

Furthermore, PAC shareholders are prevented from selling any of their equity holdings related to the initial payment within 6 months of exchange into common shares of Inter Pipeline's corporate successor.

Accretion and Fairness Opinion

The elimination of external management fees in exchange for the negotiated payment structure results in an immediately accretive transaction. Splitting the internalization purchase price into two instalment payments, the latter tied to the revenue commencement dates of certain projects under construction, will help ensure long-term accretion. Inter Pipeline expects the Internalization Transactions to generate annual long-term accretion of $0.06 per unit relative to cash available for distribution. Inter Pipeline's board decision to increase distributions by $0.03 per unit is fully supported by the stand-alone economics of the Internalization Transactions.

A Special Committee of the PMI board, chaired by Inter Pipeline's lead independent director and comprised solely of independent directors, reviewed and negotiated the transaction on behalf of Inter Pipeline. The Special Committee determined that the internalization payment is reasonable in lieu of the future fees that will no longer be payable to an external manager under the existing limited partnership agreement.

TD Securities Inc., as financial advisor to the Special Committee, delivered an opinion which confirmed that the consideration paid to acquire the General Partner is fair to Inter Pipeline's unitholders from a financial point of view. CIBC World Markets acted as financial advisor to PAC.

Improved Corporate Governance

The Internalization Transactions have been designed to allow Inter Pipeline to move forward with a more transparent and investor-friendly form of corporate governance. Effective immediately, the composition of the PMI board has changed through the elimination of two board seats formerly held by non-independent directors. The board is now comprised of the five independent directors, Messrs. Shaw, Brown, Keinick, Robertson, and Sangster, as well as Mr. Fesyk, Inter Pipeline's President and Chief Executive Officer, and Mr. Driscoll, PMI's Chairman. In addition, Inter Pipeline intends to appoint a new independent chairman of the board upon the retirement of John F. Driscoll expected by year-end 2013.

No immediate changes to Inter Pipeline's management team are contemplated as a result of the Internalization Transactions. Bill van Yzerloo, Inter Pipeline's Chief Financial Officer, has advised Inter Pipeline of his intention to retire in the first quarter of 2014, following the release of Inter Pipeline's 2013 financial results.

Upon unitholder approval of a conversion to a corporate form, Inter Pipeline will begin holding Annual General Meetings during which directors will be elected by shareholders.

Planned Corporate Conversion

Inter Pipeline intends to seek unitholder approval for its planned conversion to a corporation within the next 4 months. In addition to unitholder approval, the conversion will be subject to receipt of all required regulatory, stock exchange and Court of Queen's Bench of Alberta approvals.

Upon conversion, Inter Pipeline will have access to a much larger investor base. As a limited partnership, all of Inter Pipeline's equity investors must currently be Canadian residents for income tax purposes. This restriction limits Inter Pipeline's access to foreign sources of capital. Converting to a Canadian corporation will help support Inter Pipeline's growth plans by gaining access to a larger and more competitively priced pool of capital.

Pursuant to the conversion, unitholders will exchange their limited partnership units, on a one-for-one basis, for common shares of Inter Pipeline's successor corporation. The exchange is expected to occur on a tax-deferred basis for Canadian income tax purposes.

Special Committee Perspectives

William Robertson, PMI's lead independent director and Chair of the Special Committee, commented, "Inter Pipeline's independent directors felt strongly that this was the right window to eliminate the external management contract. The consideration being paid is fair and it represents a highly accretive transaction. It also allows us to move toward a more conventional governance model while broadening our investor base in support of Inter Pipeline's aggressive growth plans."

"The Special Committee is very pleased that PAC shareholders have accepted a form of equity rather than cash as consideration. This shows strong endorsement of the business going forward. We are also pleased with the structuring of payments which will help ensure the immediate and long-term accretion of this transaction."

Supplemental Website Information

Additional information related to the Internalization Transactions is available on Inter Pipeline's website at www.interpipelinefund.com under the icon titled "General Partner Internalization". Supplemental materials include background information on the General Partner, historical and projected management fees, transaction benefits, preferred share characteristics and accounting treatments.

Material Change Report

Under securities law, Inter Pipeline is required to file a Material Change Report with respect to the Internalization Transactions. Because the Internalization Transactions were not subject to any unitholder, regulatory or third party consent or approval requirements, there was no commercial reason not to complete the Internalization Transactions as soon as the agreements giving effect to the transaction were completed, approved and executed. Accordingly, the Material Change Report will be filed less than 21 days from the time of closing of the Internalization Transactions. Inter Pipeline considers this to be reasonable and necessary in the present circumstances.

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, Denmark, 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

Pursuant to Inter Pipeline's limited partnership agreement dated October 9, 1997, as amended, all unitholders are required to be residents of Canada. A copy of the limited partnership agreement can be found at www.interpipelinefund.com by selecting "Corporate Governance". If a unitholder is a non-resident of Canada ("Non-Eligible Unitholder"), he will not be considered to be a member of the partnership effective the date the Class A Units were acquired. Inter Pipeline requires all Non-Eligible

Unitholders to dispose of their Class A Units in accordance with the limited partnership agreement.

In most cases, a unitholder with an address outside of Canada will be a Non-Eligible Unitholder.

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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, anticipated benefits derived from the Internalization Transactions, timing for proposed corporate conversion and anticipated benefits derived therefrom, timing and cost schedules of expansion capital projects, and forward EBITDA, accretion and cash available for distribution estimates. 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, the ability to access sufficient capital from internal and external sources and the ability to complete the conversion to a corporation in the manner and timeframe expected. 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. This news release, in particular the information in respect of anticipated incremental EBITDA and accretion in cash available for distribution, may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of Inter Pipeline's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions contained herein. The actual results of operations of Inter Pipeline and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. Inter Pipeline and its management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

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

Non-GAAP Financial Measures

Certain financial measures referred to in this news release, namely, "EBITDA", "cash flow" and "cash available for distribution" are not measures recognized by Canadian generally accepted accounting principles ("GAAP"). These non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Investors are cautioned that these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP. The non-GAAP financial measures are provided to assist investors with their evaluation of Inter Pipeline, including their assessment of its ability to generate cash and fund monthly distributions. Management considers these non-GAAP financial measures to be important indicators in assessing its performance.