

Inter Pipeline Fund Announces October 2010 Cash Distribution

CALGARY, ALBERTA, October 7, 2010: Inter Pipeline Fund (“Inter Pipeline”) (TSX: IPL.UN) announced today the declaration of a cash distribution of \$0.075 per unit for October 2010. This distribution will be paid on or about November 15th to unitholders of record on October 22nd, 2010.

Inter Pipeline believes it is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond, despite becoming a taxable entity. This view is based on Inter Pipeline’s continuing strong financial performance, attractive fundamentals in each of its business segments and expected increases in cash flow following completion of the Corridor expansion project and other organic growth projects currently under development.

It is also important to note that once Inter Pipeline becomes a taxable entity in 2011, cash distributions will receive more favourable tax treatment than is currently the case. Today the vast majority of Inter Pipeline’s cash distributions are classified as business or interest income for tax purposes. Distributions paid after January 1, 2011 will generally be treated as eligible Canadian dividends, resulting in a lower effective tax rate in the hands of a taxable investor. For example, using 2010 forecast tax rates, a Canadian resident in the highest marginal tax bracket would have their effective tax rate on taxable distributions reduced by approximately 16% to 24% depending on their province of residence. This more favourable tax treatment will apply to the taxable portion of Inter Pipeline’s distributions, excluding a minor amount of interest income sourced from foreign operations.

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.