

IN THE MATTER OF THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW
BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR, PRINCE
EDWARD ISLAND, YUKON, NUNAVUT AND NORTHWEST TERRITORIES

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
PEMBINA PIPELINE INCOME FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and the Northwest Territories (the "Jurisdictions" and each, a "Jurisdiction") has received an application from Pembina Pipeline Income Fund ("Pembina") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Registration and Prospectus Requirements") shall not apply to certain trades in trust units of Pembina issued pursuant to the Plan (as defined below), subject to certain conditions;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS Pembina has represented to the Decision Makers that:

1. Pembina is an unincorporated open-ended investment trust formed under the laws of the Province of Alberta pursuant to a Declaration of Trust dated September 4, 1997, as amended and restated as of April 30, 1999, and as further amended April 28, 2000 (the "Declaration of Trust").
2. The business of Pembina consists of the indirect ownership of interests in 15 oil and natural gas liquids pipeline systems in western Canada.

3. Pembina has been a reporting issuer, or the equivalent, in each of the provinces of Canada since 1997, and to its knowledge, is not in default of any requirements under the Legislation of any such Jurisdiction.
4. Pembina is a "qualifying issuer" within the meaning of Multilateral Instrument 45-102 *Resale of Securities*.
5. The trustee of Pembina is Computershare Trust Company of Canada. The entire beneficial interest in Pembina is held by the holders of trust units ("Units") issued by Pembina.
6. An unlimited number of Units have been created and may be issued pursuant to the Declaration of Trust. As of the close of business on December 16, 2002, 93,535,954 Units were issued and outstanding.
7. The Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX").
8. Pursuant to the terms of the Declaration of Trust, Pembina currently makes and expects to continue to make monthly distributions of distributable income, if any, to the holders of Units (the "Unitholders"). The distributable income of Pembina for any month is a function of the amounts received by Pembina from the net cash flow of its operating subsidiaries.
9. Pembina is not a "mutual fund" under the Legislation as Unitholders are not entitled to receive on demand an amount computed by reference to the value of their respective proportionate interests in the whole or in part of the net assets of Pembina, as contemplated by the definition of "mutual fund" in the Legislation.
10. Pembina currently has a distribution reinvestment plan (the "Old Plan") which enables eligible Unitholders to direct that cash distributions paid on their existing Units ("Cash Distributions") be automatically applied to the purchase of Units from treasury.
11. Pembina intends to establish a new Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan (the "Plan") pursuant to which eligible Unitholders may, at their option, purchase additional Units ("Additional Units") of Pembina by directing that Cash Distributions be applied to the purchase of Additional Units (the "Distribution Reinvestment Option").
12. Alternatively, the Plan enables eligible Unitholders who decide to reinvest Cash Distributions to authorize and direct Computershare Trust Company of Canada, in its capacity as agent under the Plan (or such other trust company that is appointed agent under the Plan) (in such capacity, the "Plan Agent"), to pre-sell through a designated broker (the "Plan Broker"), for the account of the Unitholders who so elect, that number of Units equal to the number of Additional Units issuable on such reinvestment, and to settle such pre-sales with the Additional Units issued on the applicable distribution payment date in exchange for a cash payment equal to 102% of the reinvested Cash Distributions (the "Premium Distribution Option"). The Plan Broker will be entitled to retain for its own account the difference between the proceeds realized in connection

with the pre-sales of such Units and the cash payment to the Plan Agent equal to 102% of the reinvested Cash Distributions.

13. Eligible Unitholders who have directed that their Cash Distributions be reinvested in Additional Units under either the Distribution Reinvestment Option or the Premium Distribution Option ("Participants") may also be able to directly purchase Additional Units under the Plan by making optional cash payments within the limits established thereunder (the "Cash Payment Option"). Pembina Management Inc. (the "Manager") shall have the right to determine from time to time whether the Cash Payment Option will be available. The Cash Payment Option will only be available to Unitholders that are Participants.

14. The Plan will supercede the Old Plan. All Unitholders who are enrolled in the Old Plan at the time that the Plan becomes effective will, subject to any contrary elections made by such Unitholders, be automatically enrolled in the Distribution Reinvestment Option of the Plan.

15. All Additional Units purchased under the Plan will be purchased by the Plan Agent directly from Pembina on the relevant distribution payment date at a price determined by reference to the Average Market Price (defined in the Plan as the arithmetic average of the daily volume weighted average trading prices of the Units on the TSX for the trading days starting on the second business day following the distribution record date and ending on the second business day immediately prior to the distribution payment date on which at least a board lot of Units was traded, such period not to exceed 20 trading days).

16. Additional Units purchased under the Distribution Reinvestment Option or the Premium Distribution Option will be purchased at a 5% discount to the Average Market Price. Additional Units purchased under the Cash Payment Option will be purchased at the Average Market Price.

17. The Plan Broker's *prima facie* return under the Premium Distribution Option will be approximately 3% of the reinvested Cash Distributions (based on pre-sales of Units having a market value of approximately 105% of the reinvested Cash Distributions and a fixed cash payment to the Plan Agent, for the account of applicable Participants, of an amount equal to 102% of the reinvested Cash Distributions). The Plan Broker may, however, realize more or less than this *prima facie* amount, as the actual return will vary according to the prices the Plan Broker is able to realize on the pre-sales of Units. The Plan Broker bears the entire risk of adverse changes in the market, as Participants who have elected the Premium Distribution Option are assured a cash payment equal to 102% of the reinvested Cash Distributions.

18. All activities of the Plan Broker on behalf of the Plan Agent that relate to pre-sales of Units for the account of Unitholders who elect the Premium Distribution Option will be in compliance with applicable Legislation and the rules and policies of the TSX (subject to any exemptive relief granted). The Plan Broker will also be a member of the Investment Dealers Association of Canada, and will be registered under the legislation of any Jurisdiction where the first trade in Additional Units pursuant to the Premium Distribution Option makes such registration necessary.

19. The Plan will not be available to Unitholders who are residents of the United States.

20. Participants who choose to participate in the Plan may elect either the Distribution Reinvestment Option or the Premium Distribution Option in respect of their Cash Distributions. The Cash Payment Option is available to eligible Unitholders who elect to reinvest their Cash Distributions under either the Distribution Reinvestment Option or the Premium Distribution Option. Eligible Unitholders may elect to participate in either the Distribution Reinvestment Option or the Premium Distribution Option at their sole option, and are free to terminate their participation under either option, or to change their election, in accordance with the terms of the Plan.

21. Under the Distribution Reinvestment Option, Cash Distributions will be paid to the Plan Agent and applied by the Plan Agent to the purchase of Additional Units, which will be held under the Plan for the account of the appropriate Participants who have elected to participate in that component of the Plan.

22. Under the Premium Distribution Option, Cash Distributions will be paid to the Plan Agent and applied by the Plan Agent to the purchase of Additional Units for the account of the appropriate Participants who have elected to participate in that component of the Plan, but the Additional Units purchased thereby will be automatically transferred to the Plan Broker to settle pre-sales of Units made by the Plan Broker on behalf of the Plan Agent for the account of such Participants in exchange for a cash payment equal to 102% of the reinvested Cash Distributions.

23. Under the Cash Payment Option, a Participant may, through the Plan Agent, purchase Additional Units up to a stipulated maximum dollar amount per year and subject to a minimum amount per remittance. The aggregate number of Additional Units that may be purchased under the Cash Payment Option by all Participants in any financial year of Pembina will be limited to a maximum of 2% of the number Units issued and outstanding at the start of the financial year.

24. No brokerage fees or service charges will be payable by Participants in connection with the purchase of Additional Units under the Plan.

25. Additional Units purchased under the Plan will be credited to a Participant's account, and all Cash Distributions on Units enrolled in the Plan will be automatically reinvested in Additional Units or exchanged for a cash payment under the Premium Distribution Option, as applicable, in accordance with the terms of the Plan and the current election of that Participant.

26. Depending on the policies of a Participant's broker, investment dealer, financial institution or other nominee through which the Participant holds its Units, the Plan permits full investment of reinvested Cash Distributions and optional cash payments because fractions of Units, as well as whole Units, may be credited to Participants' accounts.

27. The Manager, in its capacity as the manager of Pembina and subject to certain parameters established by the board of directors of Pembina Pipeline Corporation, reserves the right to determine for any distribution payment date how many Additional Units will be available for purchase under the Plan.

28. If, in respect of any distribution payment date, fulfilling all of the elections under the Plan would result in Pembina exceeding either the limit on Additional Units set by the Manager or the aggregate annual limit on Additional Units issuable pursuant to the Cash Payment Option, then elections for the purchase of Additional Units on the next distribution payment date will be accepted: (i) first, from Participants electing the Distribution Reinvestment Option; (ii) second, from Participants electing the Premium Distribution Option; and (iii) third, from Participants electing the Cash Payment Option. If Pembina is not able to accept all elections in a particular category, then purchases of Additional Units on the next distribution payment date will be pro rated among all Participants in that category according to the number of Additional Units sought to be purchased.

29. If the Manager determines that no Additional Units will be available for purchase under the Plan for a particular distribution payment date, then all Participants will receive the Cash Distribution announced by Pembina for that distribution payment date.

30. A Participant may terminate its participation in the Plan at any time by providing written notice to their investment advisor or broker. A termination form received between a distribution record date and a distribution payment date will become effective after that distribution payment date.

31. Pembina reserves the right to amend, suspend or terminate the Plan at any time, provided that such action shall not have a retroactive effect which would prejudice the interests of the Participants. Pembina will make a public announcement of any such amendment, suspension or termination and will notify Unitholders in accordance with applicable securities law requirements. All Participants will be sent written notice of any such amendment, suspension or termination.

32. The distribution of Additional Units by Pembina pursuant to the Plan cannot be made in reliance on certain existing exemptions from the Registration and Prospectus Requirements as the Plan involves the reinvestment of distributions of distributable income of Pembina and not the reinvestment of dividends, interest or distributions of capital gains or out of earnings or surplus.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the trades of Additional Units by Pembina to the Plan Agent for the account of Participants pursuant to the Plan shall not be subject to the Registration and Prospectus Requirements provided that:

1. at the time of the trade Pembina is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;

2. no sales charge is payable in respect of the trade;
3. Pembina has caused to be sent to the person or company to whom the Additional Units are traded, not more than 12 months before the trade, a statement describing:
 - (a) their right to withdraw from the Plan and to make an election to receive cash instead of Units on the making of a distribution of income by Pembina, and
 - (b) instructions on how to exercise the right referred to in paragraph (a) above;
4. the aggregate number of Additional Units issued under the Cash Payment Option of the Plan in any financial year of Pembina shall not exceed 2% of the aggregate number of Units outstanding at the start of that financial year;
5. except in Qu_顛c, the first trade in Additional Units acquired pursuant to this Decision will be a distribution or primary distribution to the public unless the conditions in subsections 2.6(3) or (4) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and
6. in Qu_顛c, the first trade in Additional Units acquired pursuant to this Decision will be a distribution unless:
 - (i) Pembina is and has been a reporting issuer in Qu_顛c for the 12 months preceding the alienation;
 - (ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the alienation;
 - (iii) no extraordinary commission or other consideration is paid in respect of the alienation;
 - (iv) if the seller of the securities is an insider of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of any requirement of securities legislation;
7. disclosure of the initial distribution of Additional Units pursuant to this Decision is made to the relevant Jurisdictions by providing particulars of the date of the distribution of such Additional Units, the number of such Additional Units and the purchase price paid or to be paid for such Additional Units in:
 - (a) an information circular or take-over bid circular filed in accordance with the Legislation; or

(b) a letter filed with the Decision Maker in the relevant Jurisdiction by a person or company certifying that the person or company has knowledge of the facts contained in the letter,

8. when Pembina distributes such Additional Units for the first time, Pembina will provide disclosure to the relevant Jurisdictions which sets forth the date of such distribution, the number of such Additional Units and the purchase price paid for such Additional Units, and thereafter not less frequently than annually, unless the aggregate number of Additional Units so distributed in any month exceeds 1% of the aggregate number of Units outstanding at the beginning of the month in which the Additional Units were distributed, in which case the disclosure required under this paragraph shall be made in each relevant Jurisdiction (other than Québec) in respect of that month within ten days of the end of such month.

DATED January 23rd, 2003.

"Howard I. Wetston"

"Robert L. Shirriff"

Headnote

MRRS for Exemptive Relief Applications. Relief from registration and prospectus requirements granted for issuance of trust units of the Applicant issued under a new distribution reinvestment plan, subject to certain conditions. First trade relief granted, subject to certain conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am. sections 25, 53 and 74(1).

Instruments Cited

Multilateral Instrument 45-102 *Resale of Securities*.