No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. *These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, these securities may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws or except pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws in accordance with the Underwriting Agreement (as defined herein). This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. See "Plan of Distribution".*

PROSPECTUS

Initial Public Offering May 25, 2017

KINDER MORGAN CANADA LIMITED

$1,750,014,000

102,942,000 Restricted Voting Shares

Kinder Morgan Canada Limited (the "**Company**") is offering for sale 102,942,000 restricted voting shares (the "**Restricted Voting Shares**") at a price of $17.00 per Restricted Voting Share (the "**Offering**").

The Company has been formed to acquire an approximate 30% interest (an approximate 34% interest if the Over-Allotment Option is exercised in full) in Kinder Morgan Canada Limited Partnership (the "**Limited Partnership**"). The Limited Partnership, prior to the closing of the Offering, will own the Business (as defined herein) of Kinder Morgan (as defined herein), consisting of the Trans Mountain pipeline system, along with its associated terminals and storage facilities, the Puget Sound and Jet Fuel pipeline systems, the Canadian Cochin pipeline system (as defined herein), the Vancouver Wharves Terminal in British Columbia and various merchant liquids storage and handling terminals and interests in crude oil loading facilities in the Edmonton, Alberta area. Upon closing of the Offering, Kinder Morgan will hold an approximate 70% interest (an approximate 66% interest if the Over-Allotment Option is exercised in full) in the Limited Partnership.

Upon closing of the Offering, Kinder Morgan will own approximately 70% of the outstanding Company Voting Shares (as defined herein) (approximately 66% if the Over-Allotment Option is exercised in full) through its indirect ownership of 242,058,000 Special Voting Shares (as defined herein) of the Company. Kinder Morgan has advised the Company that it intends to remain the majority voting shareholder in the Company. Certain aspects of the business, operations and day-to-day administration of the Company, the General Partner (as defined herein) and the Limited Partnership, and consequently the Business, will be managed and conducted by Kinder Morgan Canada Inc. ("**KMCI**"), an Alberta corporation controlled by the Limited Partnership, through the Services Agreement (as defined herein) and under the supervision of the executive officers and the board of directors of the Company (the "**Board of Directors**"). See "*Relationship with Kinder Morgan*", "*The Company and the Limited Partnership — Services Agreement*" and "*Risk Factors — Risks Relating to the Company's Relationship with Kinder Morgan*". The Company's articles contain "coattail" provisions restricting the transfer of Special Voting Shares in certain circumstances. See "*Description of Share Capital and Partnership Units — Take-over Bid Protection — Coattail Arrangements*".

Price: $17.00 per Restricted Voting Share

	Price to the Public	Underwriters' Fee(1)	Net Proceeds to the Company(2)
Per Restricted Voting Share	$17.00	$0.765	$16.235
Total Offering(3)	$1,750,014,000	$78,750,630	$1,671,263,370

Notes:

(1) Upon closing of the Offering, the Company will pay the Underwriters (as defined herein) a cash fee of 4.5% of the gross proceeds of the Offering. See "*Plan of Distribution*".

(2) Before deducting the expenses of the Offering, estimated to be approximately $6,700,000, and which, together with the Underwriters' fee payable pursuant to the Offering, will be paid by the Company out of the proceeds of the Offering.

(3) The Company has granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable at the Underwriters' discretion at any time, in whole or in part, until 30 days following closing of the Offering, to purchase, at the offering price, up to an additional 15,441,300 Restricted Voting Shares (representing 15% of the Restricted Voting Shares offered under this prospectus) to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Net Proceeds to the Company in respect of the Offering will be $2,012,516,100, $90,563,224.50 and $1,921,952,875.50, respectively. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Restricted Voting Shares pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Restricted Voting Shares forming part of the Underwriters' over-allocation position acquires such Restricted Voting Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

The following table sets out the number of Restricted Voting Shares that may be sold by the Company pursuant to the Over-Allotment Option.

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to acquire up to 15,441,300 Restricted Voting Shares	At any time until 30 days following closing of the Offering	$17.00 per Restricted Voting Share

(continued on next page)

(continued from cover)

The terms of the Offering were determined by negotiation between Kinder Morgan and the Company, on the one hand, and TD Securities Inc. and RBC Dominion Securities Inc. on behalf of the Underwriters, on the other hand. See "*Plan of Distribution*".

The Underwriters, as principals, conditionally offer the Restricted Voting Shares offered under this prospectus, subject to prior sale, if, as and when sold and delivered by the Company to, 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 Kinder Morgan and the Company by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

Neither Deutsche Bank Securities Inc. nor Mizuho Securities USA LLC is registered as a dealer in any Canadian jurisdiction and, accordingly, will only sell Restricted Voting Shares into the United States or in other jurisdictions outside of Canada. Deutsche Bank Securities Inc. and Mizuho Securities USA LLC are not permitted and have agreed not to, directly or indirectly, solicit offers to purchase or sell any of the Restricted Voting Shares in Canada. See "*Exemptions from Certain Disclosure Requirements*".

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize, maintain or otherwise affect the market price of the Restricted Voting Shares at levels other than those which otherwise might prevail on the open market. **The Underwriters may offer the Restricted Voting Shares at a price lower than that stated above. Any such reduction in price will not affect the proceeds received by the Company. See "*Plan of Distribution*".**

Subscriptions in respect of the Offering will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about May 30, 2017 or such other date as the Company, Kinder Morgan and the Underwriters may agree; however, notwithstanding the foregoing, under certain circumstances Kinder Morgan and the Company may, in their sole discretion, designate May 31, 2017 as the closing date of the Offering. The Restricted Voting Shares offered under this prospectus are to be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for the final prospectus.

Except in certain limited circumstances, no certificates representing Restricted Voting Shares will be issued to purchasers in the Offering. Instead, on the date of closing of the Offering, the purchasers of Restricted Voting Shares will have their securities registered in the name of CDS Clearing and Depository Services Inc. or its nominee ("**CDS**") and electronically deposited with CDS. Purchasers of Restricted Voting Shares will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Restricted Voting Shares is acquired.

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Restricted Voting Shares under the symbol "KML". Listing is subject to the Company fulfilling all of the requirements of the TSX on or before August 22, 2017. See "*Plan of Distribution*".

There is currently no market through which the Restricted Voting Shares may be sold and purchasers may not be able to resell Restricted Voting Shares purchased under this prospectus. This may affect the pricing of the Restricted Voting Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Restricted Voting Shares and the extent of issuer regulation. See "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares*".

An investment in the Restricted Voting Shares is speculative and is subject to a number of risks that should be considered by a prospective purchaser. See "*Risk Factors*".

The Board of Directors is expected to establish a dividend policy pursuant to which the Company will pay a quarterly dividend, initially expected to be in the amount of approximately $0.65 per Restricted Voting Share on an annualized basis. Assuming closing of the Offering occurs on May 30, 2017, the first dividend for the period from closing of the Offering to June 30, 2017 is expected to be paid on or about August 15, 2017 to shareholders of record on July 31, 2017 in the amount of $0.0571 per Restricted Voting Share. The payment of dividends is not guaranteed and the amount and timing of any dividends payable will be at the discretion of the Board of Directors and subject to a variety of factors. See "*Dividend Policy*" and "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Cash Dividend Payments are Not Guaranteed*".

A return on an investment in the Restricted Voting Shares is not comparable to the return on an investment in a fixed-income security. The recovery by shareholders of their initial investment is at risk, and the anticipated return on that investment is based on many performance assumptions. Although the Company currently intends to pay quarterly dividends to holders of the Restricted Voting Shares, those cash dividends may be reduced or suspended. The actual amount of cash dividends paid to holders of the Restricted Voting Shares, if any, will depend on numerous factors including: (i) the results of operations for the Business; (ii) financial requirements for the Business, including the funding of current and future growth projects; (iii) the amount of distributions paid indirectly by the Limited Partnership to the Company through the General Partner, including any contributions from the completion of the Business' growth projects; (iv) the satisfaction by the Company and the General Partner of certain liquidity and solvency tests; and (v) any agreements relating to the indebtedness of the Company or the Limited Partnership. In addition, the market value of the Restricted Voting Shares may decline if the Company is unable to meet its target cash dividend in the future, which decline may be significant. See "*Risk Factors*".

It is important for purchasers of Restricted Voting Shares to consider each of the particular risk factors that may affect the Company (including with respect to the industry, business, operations and growth and development plans and projects of the Business) and, therefore, the market value of the Restricted Voting Shares and the stability of the Company's dividends, if any, that shareholders may receive. See "*Risk Factors*".

Each of the Underwriters (other than BMO Nesbitt Burns Inc. and National Bank Financial Inc.) is, directly or indirectly, an affiliate of a bank which is currently a lender to Kinder Morgan or its affiliates. In addition, following closing of the Offering each of the Underwriters will be, directly or indirectly, an affiliate of a bank that is expected to be a lender under the Credit Facility (as defined herein). Consequently, under applicable Canadian Securities Laws, the Company may be considered to be a connected issuer to each of the Underwriters. See "*Relationships Between the Company and Certain Underwriters*".

Kinder Morgan, Inc. is incorporated under the laws of a foreign jurisdiction and each of Steven J. Kean, Kimberly A. Dang and Dax A. Sanders resides outside of Canada. Each of Kinder Morgan, Inc., Steven J. Kean, Kimberly A. Dang and Dax A. Sanders has appointed the Company (Kinder Morgan Canada Limited) at Suite 2700, 300 – 5th Avenue S.W., Calgary, Alberta T2P 5J2, as agent for service of process.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The financial statements of the Company and the Business included in this prospectus have been prepared in accordance with GAAP (as defined herein). See "*Notice to Investors — Financial Statements and Exemptive Relief*" and "*Exemptions from Certain Disclosure Requirements*".

The Company is incorporated under the ABCA (as defined herein). The head office of the Company is located at Suite 2700, 300 – 5th Avenue S.W., Calgary, Alberta T2P 5J2 and the registered office of the Company is located at Suite 3500, 855 – 2nd Street S.W., Calgary, Alberta T2P 4J8.

TABLE OF CONTENTS

GLOSSARY

In this prospectus, unless otherwise indicated or the context otherwise requires, the following terms shall have the indicated meanings. Words importing the singular include the plural and vice versa and words importing any gender include all genders. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations thereunder, as amended from time to time;

"**Acquisition Notes**" means the promissory notes to be issued by the Limited Partnership to KMCC and KM Canada Terminals evidencing the indebtedness of the Limited Partnership to KMCC in the amount of $261,557,092.44 and KM Canada Terminals in the amount of $945,007.56, in partial payment of the purchase price for the Business pursuant to the Contribution Agreements;

"**Adjusted EBITDA**" has the meaning given to such term under the heading "*Notice to Investors — Non-GAAP Financial Measures*";

"**AER**" means the Alberta Energy Regulator;

"**affiliate** "or "**associate**" have the respective meanings ascribed to such terms in the *Securities Act* (Alberta), as amended from time to time;

"**AFUDC**" has the meaning given to such term under the heading "*Notice to Investors — Allowance for Funds Used During Construction*";

"**Alberta Crude Terminal**" has the meaning given to such term under the heading "*The Business — Terminals — Overview of Terminals — Alberta Crude Terminal*";

"**ASU**" means Accounting Standards Update;

"**Base Line Terminal**" has the meaning given to such term under the heading "*The Business — Terminals — Overview of Terminals — Base Line Terminal*";

"**BC Hydro**" means the B.C. Hydro and Power Authority;

"**BC OGC**" means the B.C. Oil and Gas Commission;

"**BCUC**" means the British Columbia Utilities Commission;

"**BNSF**" means the BNSF Railway;

"**Board of Directors**" means the board of directors of the Company;

"**Burnaby Terminal**" has the meaning given to such term under the heading "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines — Trans Mountain Terminals — Burnaby Terminal*";

"**Business**" means the combined operations of the Operating Entities that generally consists of the business, assets and operations comprising each of the Pipelines and Terminals business segments, as further described under "*The Business*";

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

"**Canadian Cochin pipeline system**" means the portion of the Cochin pipeline system located in Canada, running between the Canada/U.S. border, near Maxbass, North Dakota, and Fort Saskatchewan, Alberta;

"**Canadian Securities Laws**" means the securities legislation and regulations thereunder of each province and territory of Canada and the rules, instruments, policies and orders of each Canadian securities regulator made thereunder;

"**capitalized debt financing costs**" has the meaning given to such term under the heading "*Notice to Investors — Allowance for Funds Used During Construction*";

"**capitalized equity financing costs**" has the meaning given to such term under the heading "*Notice to Investors — Allowance for Funds Used During Construction*";

"**capitalized financing costs**" has the meaning given to such term under the heading "*Notice to Investors — Allowance for Funds Used During Construction*";

"**CAPP**" means the Canadian Association of Petroleum Producers;

"**CCO**" means control centre operator;

"**CDOR**" means Canadian Dollar Offered Rate;

"**CDS**" means CDS Clearing and Depository Services Inc. or its nominee;

"**CEO**" means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

"**Class A Units**" means the Class A limited partnership units of the Limited Partnership, as further described under "*Description of Share Capital and Partnership Units*";

"**Class B Units**" means the Class B limited partnership units of the Limited Partnership, as further described under "*Description of Share Capital and Partnership Units*";

"**CN**" means the Canadian National Railway;

"**CO_2**" means carbon dioxide;

"**CO_{2e}**" means carbon dioxide equivalent;

"**Cochin**" or the "**Cochin pipeline system**" means the Cochin pipeline system, a portion of which is comprised of the Canadian Cochin pipeline system, that transports light condensate westbound from the new Kinder Morgan Cochin terminal in Kankakee County, Illinois to terminal facilities near Fort Saskatchewan, Alberta, as further described under "*The Business — Cochin Pipeline System*";

"**Cochin Reversal Project**" has the meaning given to such term under the heading "*The Business — Cochin Pipeline System — Overview*";

"**Commenter**" means a person who has been given leave to participate in the NEB hearing process through sharing such person's views with the regulator in a written letter of comment;

"**Company**" has the meaning given to such term on the cover page of this prospectus;

"**Company Voting Shares**" means, collectively, the Restricted Voting Shares and the Special Voting Shares;

"**Construction Facility**" has the meaning given to such term under the heading "*Description of Indebtedness — Credit Facility*";

"**Contingent Facility**" has the meaning given to such term under the heading "*Description of Indebtedness — Credit Facility*";

"**Contribution Agreements**" means the contribution agreements to be entered into between each of KMCC and KM Canada Terminals on the one hand and the Limited Partnership on the other hand, pursuant to which the Limited Partnership will acquire the Business in exchange for Class B Units and the Acquisition Notes, as further described under "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Contribution Agreements*";

"**Cooperation Agreement**" means the cooperation agreement, between the Company, the General Partner, the Limited Partnership, KMCC, KM Canada Terminals and Kinder Morgan (in respect to certain provisions only) to be entered into on or before closing of the Offering, as described under "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*";

"**CP**" means the Canadian Pacific Railway;

"**Credit Facility**" has the meaning given to such term under the heading "*Description of Indebtedness — Credit Facility*";

"**DD&A**" means depreciation, depletion and amortization;

"**Director RSU Plan**" means the Company's Restricted Share Unit Plan for Non-Employee Directors;

"**distributable cash flow**" or "**DCF**" has the meaning given to such term under the heading "*Notice to Investors — Non-GAAP Financial Measures*";

"**DRIP**" means the dividend reinvestment plan of the Company;

"**EBDA**" means earnings before DD&A expenses, including amortization of excess cost of equity investments. See "*Management's Discussion and Analysis*";

"**EBITDA**" means earnings before interest, taxes and DD&A. See "*Notice to Investors — Non-GAAP Financial Measures*";

"**Edmonton Rail Terminal**" has the meaning given to such term under the heading "*The Business — Terminals — Overview of Terminals — Edmonton Rail Terminal*";

"**Edmonton South Terminal**" has the meaning given to such term under the heading "*The Business — Terminals — Overview of Terminals — Edmonton South Terminal*";

"**Edmonton Terminal**" has the meaning given to such term under the heading "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines — Trans Mountain Terminals — Edmonton Terminal*";

"**EMP**" means emergency management program;

"**FASB**" means the U.S. Financial Accounting Standards Board;

"**FERC**" means the U.S. Federal Energy Regulatory Commission;

"**Foremen CBA**" has the meaning given to such term under the heading "*The Business — Operations Management of the Business — Employees*";

"**Framework**" has the meaning given to such term under the heading "*The Business — Regulatory Environment — Canadian Regulation — Climate Change and GHG Regulations*";

"**Fund**" has the meaning given to such term under the heading "*The Business — Regulatory Environment — Canadian Regulation — Climate Change and GHG Regulations*";

"**GAAP**" means generally accepted accounting principles in the United States that the U.S. Securities and Exchange Commission has identified as having substantial authoritative support, as supplemented by Regulation S-X under the U.S. Securities Exchange Act of 1934, as amended from time to time;

"**General Partner**" means Kinder Morgan Canada GP Inc., a corporation to be organized under the laws of the Province of Alberta which, following the Reorganization, will be a wholly-owned subsidiary of the Company;

"**GHG**" means greenhouse gas;

"**GP Units**" means the general partnership units of the Limited Partnership to be held by the General Partner, as further described under "*Description of Share Capital and Partnership Units*";

"**Grantee**" has the meaning given to such term under the heading "*Executive Compensation — Compensation of Executive Officers — RSU Plan — Overview*";

"**ICA**" means the *U.S. Interstate Commerce Act*;

"**ICS**" means the Incident Command System;

"**IFRS**" means International Financial Reporting Standards as promulgated by the International Accounting Standards Board;

"**Imperial Oil**" means Imperial Oil Limited and its affiliates;

"**Intervenor**" means a person who has been given leave to participate in the NEB hearing process through, among other things, written evidence, information requests and final argument;

"**IR**" or "**Information Request**" means a written question or request made by the NEB and, as permitted, other parties to an NEB hearing process, for additional information about written evidence filed by the applicant or Intervenors;

"**investment grade**" means an issuer credit rating of BBB− or higher by S&P, BBB (low) or higher by Dominion Bond Rating Service or Baa3 or higher by Moody's Investors Service;

"**ISLMS**" has the meaning given to such term under the heading "*The Business — Operations Management of the Business*";

"**Jet Fuel pipeline**" or "**Jet Fuel**" means the Jet Fuel pipeline system that transports jet fuel from a Burnaby refinery and the Westridge Marine Terminal to the Vancouver International Airport, as further described under "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines*";

"**Jones Act**" means the *United States Merchant Marine Act of 1920*, as amended from time to time;

"**Keyera**" means Keyera Corp. and its affiliates, including Keyera Partnership;

"**Kinder Morgan**" means Kinder Morgan, Inc., and where the context requires, includes its majority-owned and/or controlled subsidiaries;

"**Kinder Morgan Canada Group**" means, collectively, the Company, the General Partner, the Limited Partnership, and each person that any of the Company, the General Partner or the Limited Partnership controls from time to time;

"**Kinder Morgan Group**" means Kinder Morgan and each person that Kinder Morgan directly or indirectly controls from time to time, other than any member of the Kinder Morgan Canada Group;

"**KM Canada Marine Terminal**" means KM Canada Marine Terminal Limited Partnership which, following the Reorganization, will be an indirect, wholly-owned partnership of the Limited Partnership;

"**KM Canada North 40**" means KM Canada North 40 Limited Partnership which, following the Reorganization, will be an indirect, wholly-owned partnership of the Limited Partnership;

"**KM Canada Rail**" means Kinder Morgan Canada Rail Holdings GP Limited which, following the Reorganization, will be an indirect, wholly-owned subsidiary of the Limited Partnership;

"**KM Canada Terminals**" means KM Canada Terminals ULC, an indirect wholly-owned subsidiary of Kinder Morgan;

"**KMCC**" means Kinder Morgan Canada Company, an indirect wholly-owned subsidiary of Kinder Morgan;

"**KMCI**" means Kinder Morgan Canada Inc. which, following the Reorganization, will be an indirect, wholly-owned subsidiary of the Limited Partnership;

"**KMCU**" means Kinder Morgan Cochin ULC which, following the Reorganization, will be a direct, wholly-owned subsidiary of the Limited Partnership;

"**KMI Credit Lines**" has the meaning given to such term under the heading "*Description of Indebtedness — KMI Loans and Other Indebtedness*";

"**KMI Loans**" has the meaning given to such term under the heading "*Description of Indebtedness — KMI Loans and Other Indebtedness*";

"**KMI Revolving Facility**" has the meaning given to such term under the heading "*Relationships Between the Company and Certain Underwriters*".

"**KMI Term Loan Facility**" has the meaning given to such term under the heading "*Relationships Between the Company and Certain Underwriters*".

"**Land Agreements**" means rights-of-way, right of entry orders, Crown pipeline agreements, pipe rack agreements, temporary working space agreements, crossing agreements, road use agreements, and other similar land-related agreements which are required for construction, operation and maintenance of TMPL, the Trans Mountain Expansion Project, the Puget Sound pipeline system, the Jet Fuel pipeline system, the Canadian Cochin pipeline system or other pipeline assets of the Business;

"**Lenders**" has the meaning given to such term under the heading "*Description of Indebtedness — Credit Facility*";

"**Limited Partnership**" means Kinder Morgan Canada Limited Partnership, a limited partnership to be formed under the laws of the Province of Alberta;

"**Limited Partnership Agreement**" means the limited partnership agreement of the Limited Partnership, as amended from time to time, the terms of which are further described under "*Description of Share Capital and Partnership Units — The Limited Partnership*";

"**Longshore CBA**" has the meaning given to such term under the heading "*The Business — Operations Management of the Business — Employees*";

"**LP Units**" means, collectively, the Class A Units and the Class B Units;

"**MD&A**" means management's discussion and analysis;

"**NEB**" means the National Energy Board;

"**NEB Act**" means the *National Energy Board Act* (Canada) and the regulations thereunder, as amended from time to time;

"**NI 41-101**" means National Instrument 41-101 — *General Prospectus Requirements*;

"**NI 44-101**" means National Instrument 44-101 — *Short Form Prospectus Distributions;*

"**NI 52-107**" means National Instrument 52-107 — *Acceptable Accounting Principles and Auditing Standards*;

"**NI 52-109**" means National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*;

"**NI 52-110**" means National Instrument 52-110 — *Audit Committees*;

"**NI 58-101**" means National Instrument 58-101 — *Disclosure of Corporate Governance Practices*;

"**Non-Employee Director**" has the meaning given to such term under the heading "*Executive Compensation — Compensation of Directors — Director RSU Plan*";

"**North 40 Terminal**" has the meaning given to such term under the heading "*The Business — Terminals — Overview of Terminals — North 40 Terminal*";

"**NP 58-201**" means National Policy 58-201 — *Corporate Governance Guidelines*;

"**NYSE**" means the New York Stock Exchange;

"**Offering**" means the distribution of Restricted Voting Shares pursuant to this prospectus;

"**OMS**" means Operations Management System;

"**Operating Entities**" means the corporation, companies, partnerships and joint ventures that own and operate the assets comprising the Business, which following the Reorganization will be direct or indirect wholly-owned subsidiaries or jointly-controlled investments of the Limited Partnership, with the principal operating entities being KMCU, KM Canada Marine Terminal, KM Canada North 40, KM Canada Rail, KMCI, TM Pipeline L.P., TM Jet Fuel, TM Puget Sound and Trans Mountain;

"**Opportunity**" or "**Opportunities**" have the meaning given to such terms under the heading "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*";

"**OSEL Act**" has the meaning given to such term under the heading "*The Business — Regulatory Environment — Canadian Regulation — Climate Change and GHG Regulations*";

"**Over-Allotment Option**" has the meaning given to such term on the cover page of this prospectus;

"**PADD**" means Petroleum Administration for Defense District;

"**Paris Agreement**" has the meaning given to such term under the heading "*The Business — Regulatory Environment — Canadian Regulation — Climate Change and GHG Regulations*";

"**person**" means and includes individuals, companies, corporations, limited partnerships, general partnerships, joint stock companies, limited liability companies, unlimited liability companies, joint ventures, associations, trusts, banks, trust companies, pension funds, and other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof;

"**petroleum**" means a naturally occurring mixture consisting predominantly of hydrocarbons in the gaseous, liquid or solid phase, and as referenced in this prospectus, includes crude oil and natural gas liquids;

“**PHMSA**” means the USDOT Pipeline Hazardous Materials Safety Administration;

“**Pipeline Safety Act**” means the *Pipeline Safety Act* (Canada) and the regulations thereunder, as amended from time to time;

“**Preferred Distribution**” has the meaning given to such terms under the heading “*Description of Share Capital and Partnership Units — The Limited Partnership — Distributions*”;

“**Puget Sound pipeline**” or “**Puget Sound**” means the Puget Sound pipeline system that transports crude oil products from the Sumas Terminal to Washington State refineries in Anacortes and Ferndale, as further described under “*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines*”;

“**RDSP**” means a registered disability saving plan;

“**Related Securities**” has the meaning given to such term under the heading “*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*”;

“**Reorganization**” has the meaning given to such term under the heading “*Relationship with Kinder Morgan — The Reorganization and the Offering*”;

“**RESP**” means a registered education savings plan;

“**Restricted Voting Shares**” means the restricted voting shares in the capital of the Company, as further described under “*Description of Share Capital and Partnership Units*”;

“**Roevin**” has the meaning given to such term under the heading “*The Business — Operations Management of the Business — Employees*”;

“**RRIF**” means a registered retirement income fund;

“**RRSP**” means a registered retirement savings plan;

“**RSU**” means a restricted share unit granted pursuant to the RSU Plan or the Director RSU Plan, as applicable;

“**RSU Plan**” means the Company’s 2017 Restricted Share Unit Plan for Canadian Employees;

“**S&P**” means Standard and Poor’s Rating Service;

“**SCADA**” or “**SCADA computer system**” means the Supervisory Control and Data Acquisition computer system;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**Segment EBDA**” has the meaning given to such term under the heading “*Management’s Discussion and Analysis — Results of Operations of the Business — Overview*”;

“**Services Agreement**” means the services agreement between the Company, the General Partner, the Limited Partnership and KMCI to be entered into on or before closing of the Offering, as described under “*The Company and the Limited Partnership — Services Agreement*”;

“**shareholder**” means a holder of Company Voting Shares;

“**Special Voting Shares**” means the special voting shares in the capital of the Company, as further described under “*Description of Share Capital and Partnership Units*”;

“**SGER**” has the meaning given to such term under the heading “*The Business — Regulatory Environment — Canadian Regulation — Climate Change and GHG Regulations*”;

“**Specified U.S. Dealer**” has the meaning given to such term under the heading “*Exemptions from Certain Disclosure Requirements*”;

“**subsidiary**” has the meaning ascribed thereto in the ABCA;

“**Sumas Terminal**” has the meaning given to such term under the heading “*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines — Trans Mountain Terminals — Sumas Pump Station and Sumas Terminal*”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

"**Terminals**" means, collectively, the Company's merchant (non-regulated) terminal assets comprised of the Vancouver Wharves Terminal, the Edmonton South Terminal, the North 40 Terminal, the Edmonton Rail Terminal, the Alberta Crude Terminal and the Base Line Terminal, as further described under "*The Business — Terminals*";

"**TFSA**" means a tax-free savings account;

"**TM Jet Fuel**" means Trans Mountain (Jet Fuel) Inc. which, following the Reorganization, will be an indirect, wholly-owned subsidiary of the Limited Partnership;

"**TM Pipeline L.P.**" means Trans Mountain Pipeline L.P. which, following the Reorganization, will be a direct, wholly-owned partnership of the Limited Partnership;

"**TMPL**", "**TMPL system**" or "**Trans Mountain pipeline**" means the Trans Mountain pipeline system (including the related terminals assets) that transports crude oil and refined petroleum products from Edmonton, Alberta, Canada to marketing terminals and refineries on the West Coast, as further described under "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines*";

"**TM Puget Sound**" means Trans Mountain Pipeline (Puget Sound) LLC which, following the Reorganization, will be an indirect, wholly-owned subsidiary of the Limited Partnership;

"**Trans Mountain**" means Trans Mountain Pipeline ULC and its predecessors, the general partner of TM Pipeline L.P. and the holder of the NEB certificates for the TMPL system which, following the Reorganization, will be a direct, wholly-owned subsidiary of the Limited Partnership;

"**Trans Mountain Expansion Project**" means the proposed project to expand the TMPL as described under the heading "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines — The Trans Mountain Expansion Project*";

"**TSX**" means the Toronto Stock Exchange;

"**Underwriters**" means, collectively, TD Securities Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Barclays Capital Canada Inc., Credit Suisse Securities (Canada), Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities Canada Inc., Merrill Lynch Canada Inc., Mizuho Securities USA LLC, MUFG Securities (Canada), Ltd. and Société Générale Capital Canada Inc.;

"**Underwriting Agreement**" has the meaning given to such term under the heading "*Plan of Distribution*";

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**USDOT**" means the U.S. Department of Transportation;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended from time to time;

"**Vancouver Wharves Terminal**" or "**Vancouver Wharves**" has the meaning given to such term under the heading "*The Business — Terminals — Overview of Terminals — Vancouver Wharves Terminal*";

"**WCMRC**" means the Western Canada Marine Response Corporation;

"**WCSB**" means the Western Canadian Sedimentary Basin;

"**WCSS**" means Western Canadian Spill Services;

"**Westridge Marine Terminal**" or "**Westridge**" has the meaning given to such term under the heading "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines — Trans Mountain Terminals — Westridge Marine Terminal*"; and

"**Working Capital Facility**" has the meaning given to such term under the heading "*Description of Indebtedness — Credit Facility*".

ABBREVIATIONS AND CONVERSIONS

In this prospectus, the following abbreviations have the meanings set forth below:

/d	=	per day
LLC	=	limited liability company
MBbl	=	thousand barrels
MMBbl	=	million barrels
MMtons	=	million tons
WTI	=	West Texas Intermediate
WCS	=	Western Canada Select

All references to cubic feet measurements are at a pressure of 14.73 pounds per square inch.

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
cubic feet	cubic meters	0.0283
cubic meters	cubic feet	35.301
barrels	cubic meters	0.159
cubic meters	barrels	6.290
feet	meters	0.305
meters	feet	3.281
kilometers	miles	1.609
miles	kilometers	0.621
millimeters	inches	25.4

NOTICE TO INVESTORS

About this Prospectus

Prospective investors should review this prospectus in its entirety prior to making an investment decision. None of Kinder Morgan, the Company or any of the Underwriters has authorized anyone to provide investors with additional or different information. None of Kinder Morgan, the Company or any of the Underwriters is offering to sell the Restricted Voting Shares in any jurisdiction where an offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the Restricted Voting Shares. The business, financial condition or prospects of the Company or the Business, may have changed since the date of this prospectus.

For investors outside of Canada, none of Kinder Morgan, the Company or any of the Underwriters has done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the distribution of this prospectus.

Unless otherwise indicated or the context otherwise requires, information contained in this prospectus assumes that the Over-Allotment Option has not been exercised.

For an explanation of certain terms and abbreviations used in this prospectus and not otherwise defined, reference is made to the "*Glossary*" and "*Abbreviations and Conversions*". In this prospectus, all references to "$" are to Canadian dollars and unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

Forward-Looking Statements

This prospectus includes forward-looking statements and forward-looking information, including forward-looking information and projections provided by third party sources (collectively "**forward-looking statements**"). These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. Forward-looking statements may be identified by words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," or the negative of those terms or other variations of them or comparable terminology. In particular, but without limitation, this prospectus contains forward-looking statements pertaining to the following:

- the Trans Mountain Expansion Project and Base Line Terminal project, including the impact of cost increases (and the extent to which Trans Mountain is able to pass such costs through to shippers) and delays on project returns and the cost structure, anticipated funding, construction plans, scheduling, in-service dates, future utilization, future revenue and costs and future impacts on the Adjusted EBITDA of the Business and distributable cash flow;
- the future commercial viability of the Business;
- the realization of benefits deriving from future growth projects including the Trans Mountain Expansion Project and Base Line Terminal;
- the potential growth opportunities and anticipated competitive position of the Business and both of its business segments;
- the anticipated results of the Business' pipeline tolls and toll structure and the ability of the Business to recover certain cost overruns and earn returns as a result of such tolls;
- expectations respecting the ability of the Business to generate predictable and growing cash available for distribution and to support growing dividends;
- expectations and intentions respecting distributions from the Limited Partnership, the payout of distributable cash flow and the payment by the Company of quarterly dividends to shareholders, as well as the amounts of those dividends;
- Kinder Morgan's indirect anticipated participation in the Limited Partnership's distribution reinvestment plan;

- the anticipated use of proceeds of the Offering, including the repayment of KMI Loans;
- anticipated timing of the implementation of the Credit Facility and the anticipated terms, availability and uses thereof;
- anticipated debt levels of the Company and the Business on the date of closing of the Offering and anticipated borrowings under, and the repayment of, the KMI Credit Lines;
- the impact of carbon pricing on the Business;
- anticipated future capital expenditures;
- expectations respecting the ongoing financing of the business and operations of the Business;
- anticipated decommissioning and abandonment costs;
- operational (including marine) safety levels and standards;
- future pipeline capacity and tolls; and
- future crude oil supply and demand and demand for the services provided by the Business.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results are beyond the Company's ability to control or predict. Any "financial outlook" set out in this prospectus has been included for the purpose of providing information relating to management's current expectations and plans for the future, is based on a number of significant assumptions and may not be appropriate, and should not be used, for purposes other than those for which such forward-looking statements are disclosed herein. **The business, financial condition and results of operations of the Company, including its ability to pay cash dividends, are substantially dependent on the business, financial condition and results of operations of the Business and the successful development of the Trans Mountain Expansion Project. As a result, factors or events that impact the Business as well as the costs associated with and the time required to complete (if completed) the Trans Mountain Expansion Project, are likely to have a commensurate impact on the Company, the market price and value of the Restricted Voting Shares and the ability of the Company to pay dividends. Similarly, given the nature of the relationship between the Company and the Business on the one hand and Kinder Morgan on the other hand, factors or events that impact Kinder Morgan may have consequences for the Company and/or the Business.** The forward-looking statements included in this prospectus are based on a number of material assumptions including, among others, those highlighted below. Specific factors that could cause actual results to differ from those in the forward-looking statements provided in this prospectus include, but are not limited to:

- issues, delays or stoppages associated with major expansion projects, including the Trans Mountain Expansion Project;
- public opposition and concerns of individuals, special interest or Aboriginal groups, governmental organizations, non-governmental organizations and other third parties that may expose the Business to higher project or operating costs, project delays or even project cancellations;
- an increase in the indebtedness of the Company and/or the Business and/or significant unanticipated cost overruns or required capital expenditures;
- changes in public opinions or damage to the reputation of the Company, the Business and/or Kinder Morgan;
- the resolution of issues relating to interested third party and/or Aboriginal rights, title and consultation;
- the breakdown or failure of equipment, pipelines and facilities; releases or spills; operational disruptions or service interruptions; and catastrophic events;
- volatility in prices for and resulting changes in demand for refined petroleum products, oil, steel and other bulk materials and chemicals and certain agricultural products in North America;
- industry, market and economic conditions and demand for the services provided by the Business;

- the availability of alternative energy sources and conservation and technological advances;
- changes in overall global demand for hydrocarbons;
- acts of natural disasters, extreme weather events or power shortages;
- difficulties or delays experienced by railroads, barges, trucks, ships or pipelines in delivering products to or from the Business' terminals, storage facilities or pipelines;
- changes in the level or nature of support from the federal government and various provincial governments (including the Alberta and British Columbia provincial governments), municipal governments and/or applicable regulators (including the NEB);
- conditions in the capital and credit markets, inflation and fluctuations in interest rates;
- the ability of the Company, Kinder Morgan and/or the Business to access external sources of financing in sufficient amounts and on acceptable terms to the extent needed to fund expansions of the Business' pipelines, terminals, storage and related facilities and the acquisition of operating businesses and assets;
- compliance with legislative or regulatory requirements or changes in laws, regulations, third-party relations, approvals and decisions of courts, regulators (including the NEB) and other applicable governmental bodies;
- changes to regulatory, environmental, political, legal, operational and geological considerations;
- changes in tariff rates set by the NEB or another regulatory agency;
- changes in the capital structure and credit ratings of the Business;
- changes in tax law and/or tax reassessments;
- national, international, regional and local economic, competitive and regulatory conditions and developments;
- abandonment costs that may be substantial and exceed the amounts held in abandonment trusts;
- risks related to Kinder Morgan holding the controlling voting interests in the Company and any changes in the relationship between the Company and Kinder Morgan;
- the ability of the Business' customers and other counterparties to perform under their contracts with the Business, financial distress experienced by customers and other counterparties to the Business and the ability of the Business to secure development efforts, including renewing long-term customer contracts and the terms of such renewal;
- the ability of the Company or the Business to recover indemnification from contractual counterparties;
- the degree of reliance of the Business on the workforce of KMCI and its affiliates and the ability of KMCI and its affiliates to adequately maintain a skilled workforce;
- strikes, riots, terrorism (including cyber-attacks), war or other acts or accidents or catastrophic events;
- increased industry competition;
- volatility and wide fluctuations in the market price for the Restricted Voting Shares, if a public market develops;
- foreign exchange fluctuations;
- changes in accounting pronouncements and the timing of when such measurements are to be made and recorded; and
- the Business' ability to obtain and maintain sufficient insurance coverage.

The foregoing list should not be construed to be exhaustive. The Company believes the forward-looking statements in this prospectus are reasonable. However, there is no assurance that any of the actions, events or results of the forward-looking statements will occur, or if any of them do, their timing or what impact they will have on the Company's or the Business' results of operations or financial condition. Because of these uncertainties, purchasers should not put undue reliance on any forward-looking statements.

See "*Risk Factors*" for a more detailed description of these and other factors that may affect the forward-looking statements in this prospectus. When considering forward-looking statements, one should keep in mind the risk factors described in "*Risk Factors*". Such risk factors could cause actual results to differ materially from those contained in any forward-looking statements. The Company, Kinder Morgan and the Underwriters disclaim any obligation, other than as required by applicable law, to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

The reports of PricewaterhouseCoopers LLP included in this prospectus refer exclusively to the historical financial statements described therein and do not extend to the prospective financial information included in this prospectus and should not be read to do so.

The forward-looking statements contained in this prospectus are expressly qualified by the foregoing cautionary statements. Prospective investors should read this entire prospectus and consult their own professional advisors to ascertain and assess the risk factors, income tax, legal and other aspects of their investment in the Restricted Voting Shares.

Non-GAAP Financial Measures

In addition to using financial measures prescribed by GAAP, references are made in this prospectus to "distributable cash flow", including on a per Restricted Voting Share basis, and "Adjusted EBITDA", which are financial measures that do not have any standardized meaning as prescribed by GAAP. Neither Adjusted EBITDA nor distributable cash flow should be considered an alternative to GAAP net income or any other GAAP measures and such non-GAAP measures have important limitations as an analytical tool. The computation of Adjusted EBITDA and distributable cash flow may differ from similarly titled measures used by others. Accordingly, use of such terms may not be comparable to similarly defined measures presented by other entities. Investors should not consider these non-GAAP financial measures in isolation or as a substitute for an analysis of results as reported under GAAP. The limitations of these non-GAAP financial measures are compensated for by reviewing the comparable GAAP measure, understanding the differences between the measures and taking this information into account in its analysis and its decision making processes. Any use of "Adjusted EBITDA", or "distributable cash flow" in this prospectus is expressly qualified by this cautionary statement.

"**Distributable cash flow**" is net income of the Business before DD&A adjusted for (i) unrealized foreign exchange gains and losses related to the KMI Loans; (ii) income tax expense and cash income taxes (paid) refunded; (iii) sustaining capital expenditures; and (iv) certain items that are required by GAAP to be reflected in net income, but typically either (a) do not have a cash impact, or (b) by their nature are separately identifiable from the normal business operations and in the view of the Company are likely to occur only sporadically. See "*Management's Discussion and Analysis*" for a description of sustaining capital expenditures. Distributable cash flow is an important performance measure used by the Business and by external users of its financial statements to evaluate the performance of the Business and to measure and estimate the ability of the Business to generate cash earnings after servicing its debt, paying cash taxes and expending sustaining capital, that could be used for discretionary purposes such as distributions or expansion capital expenditures. The Company uses this performance measure and believes it provides users of its financial statements a useful performance measure reflective of the Business' ability to generate cash earnings to supplement the comparable GAAP measure. DCF should not be used as an alternative to net cash provided by operating activities computed under GAAP. The Company believes the GAAP measure most directly comparable to distributable cash flow is net income. A reconciliation of net income (loss) to distributable cash flow is provided in the table below.

(In thousands of Canadian dollars)	Three Months Ended March 31, 2017	2016	Years Ended December 31, 2016	2015	2014
Net Income (Loss)[(1)]	46,767	111,966	201,752	(22,910)	19,529
Add/(Subtract):					
DD&A	34,839	34,126	137,168	123,529	88,698
Unrealized foreign exchange (gain) loss on KMI Loans	(10,119)	(64,459)	(29,721)	175,830	75,989
Income tax expense	14,276	14,140	56,361	62,133	26,535
Cash income taxes (paid) refunded	(186)	(1,303)	(1,137)	358	(1,461)
Sustaining capital expenditures	(2,992)	(6,250)	(46,226)	(66,246)	(58,663)
Certain item[(2)]	—	—	—	—	(3,300)
DCF of the Business	82,585	88,220	318,197	272,694	147,327
Financial Information, Adjusted for the Offering, and the Reorganization[(3)]					
DCF available to non-controlling interests (Kinder Morgan)	57,810	61,754	222,738	190,886	103,129
DCF available to the Company[(4)]	24,775	26,466	95,459	81,808	44,198

Notes:

(1) During the three months ended March 31, 2017 and 2016, net income (loss) includes (a) capitalized equity financing costs of $5,532,000 and $3,936,000, respectively, and (b) interest expense on long-term debt-affiliates of $11,676,000 and $11,309,000, respectively. During the years ended December 31, 2016, 2015 and 2014, net income (loss) includes (a) capitalized equity financing costs of $17,870,000, $12,928,000 and $11,216,000, respectively, and (b) interest expense on long-term debt-affiliates of $44,500,000, $42,469,000 and $62,996,000, respectively.

(2) 2014 amount represents a gain on the sale of propane pipeline line-fill related to the Cochin Reversal Project.

(3) Financial information assumes the completion of the Reorganization and the closing of the Offering (excluding the exercise of the Over-Allotment Option) resulting in the Company holding an approximate 30% interest in the Business and Kinder Morgan holding an approximate 70% interest in the Business (Kinder Morgan's interest is described as "non-controlling interest" for the purposes of this information), in each case as if such had occurred at the beginning of the respective period. If the Over-Allotment Option is exercised in full, this percentage would be approximately 34%. No adjustment has been made to reflect the repayment of the KMI Loans or the impact of the associated unrealized foreign exchange gains or losses and associated interest expense. Nor has an adjustment been made for any potential incremental taxes that could be incurred by the Company after closing of the Offering and the completion of the Reorganization.

(4) For further information respecting DCF on a per Restricted Voting Share basis, see "*Distributable Cash Flow*".

Adjusted EBITDA is used as a liquidity measure by the Company and external users of its financial statements, in conjunction with net debt, to evaluate certain leverage metrics. "**Adjusted EBITDA**" is EBITDA adjusted for unrealized foreign exchange gains and losses related to the KMI Loans and certain items, as applicable. The Company believes the GAAP measure most directly comparable to Adjusted EBITDA is net income. A reconciliation of net income (loss) to Adjusted EBITDA is provided in the table below. The table below does not include a reconciliation of forecasted net income to forecasted Adjusted EBITDA. The Business does not allocate Adjusted EBITDA amongst equity interest holders as it views Adjusted EBITDA as a liquidity measure against the Business' overall leverage.

(In thousands of Canadian dollars)	Three Months Ended March 31, 2017	2016	Years Ended December 31, 2016	2015	2014
Net Income (Loss)(1)	46,767	111,966	201,752	(22,910)	19,529
Add/(Subtract):					
DD&A	34,839	34,126	137,168	123,529	88,698
Unrealized foreign exchange (gain) loss on KMI Loans	(10,119)	(64,459)	(29,721)	175,830	75,989
Income tax expense	14,276	14,140	56,361	62,133	26,535
Interest, net	6,649	8,549	29,870	30,084	49,458
Certain item(2)	—	—	—	—	(3,300)
Adjusted EBITDA	92,412	104,322	395,430	368,666	256,909

Notes:

(1) During the three months ended March 31, 2017 and 2016, net income (loss) includes (a) capitalized equity financing costs of $5,532,000 and $3,936,000, respectively, and (b) interest expense on long-term debt-affiliates of $11,676,000 and $11,309,000, respectively. During the years ended December 31, 2016, 2015 and 2014, net income (loss) includes (a) capitalized equity financing costs of $17,870,000, $12,928,000 and $11,216,000, respectively, and (b) interest expense on long-term debt-affiliates of $44,500,000, $42,469,000 and $62,996,000, respectively.

(2) 2014 amount represents a gain on the sale of propane pipeline line-fill related to the Cochin Reversal Project.

Allowance for Funds Used During Construction

This prospectus includes references to allowance for funds used during construction ("**AFUDC**"). AFUDC, which is also referred to herein as "**capitalized financing costs**", includes both a cost of debt component ("**capitalized debt financing costs**") and, as approved by the regulator, a cost of equity component ("**AFUDC-equity**" or "**capitalized equity financing costs**"). Capitalized debt financing costs result in a reduction in interest expense and capitalized equity financing costs result in the recognition of other income. See "*Management's Discussion and Analysis — Critical Accounting Estimates — Regulatory Assets and Liabilities*".

Growth Estimates

Given historical and projected demand for the Business' existing assets, and given their fee-based, contracted nature, they are, collectively, expected to be generally stable, consistent contributors of Adjusted EBITDA. Therefore, for the purposes of certain growth estimates included in this prospectus, the Company has disclosed certain expected Adjusted EBITDA contribution from the Business' material, identified and contractually committed projects, the Trans Mountain Expansion Project and the Base Line Terminal, on that basis. See "*Risk Factors*" for more information regarding the Business' ongoing and future potential projects.

Trans Mountain Expansion

The projected Adjusted EBITDA contribution from the Trans Mountain Expansion Project includes contracted revenue only (excluding any potential contribution from spot volumes) less operating expenses. The forecasted annual revenue is equal to contracted volumes on an annual basis multiplied by the corresponding contracted tariff rates and is projected to begin contributing to the Business at the beginning of 2020, based on the current expected in-service schedule. If construction costs increase by 10%, the impact on Adjusted EBITDA from the Trans Mountain Expansion Project would be an increase of approximately 3%, assuming those costs were allocated approximately 24% to uncapped and approximately 76% to capped Trans Mountain Expansion Project costs. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*".

The forecasted operating costs are comprised of fixed costs, variable costs, and a fixed payment to the province of British Columbia. The variable costs, which include power and certain Aboriginal accommodation and consultation costs, flow through to the shippers via a tariff adjustment. Fixed costs, which include operating and maintenance, labour, property tax, insurance and other expenses, are not protected by a tariff rate adjustment. These costs are forecasted based on the Business' experience operating similar assets, and if these costs were to increase or decrease by 10%, the resulting impact on Adjusted EBITDA from the Trans Mountain Expansion Project would be an increase or decrease of less than 1.5% on a full year basis.

Base Line Terminal

The projected Adjusted EBITDA contribution from the Base Line Terminal includes firm, take-or-pay revenue plus a relatively small amount of variable, volume-sensitive revenue less operating expenses. The forecasted annual take-or-pay revenue is equal to contracted storage capacity on an annual basis multiplied by the corresponding contracted tariff rates. The forecasted annual variable revenue is based on forecasted utilization of the terminal after it is placed in service. If these uncontracted revenues were higher than forecasted by 10%, the resulting impact on Adjusted EBITDA from the Base Line Terminal would be an increase of less than 1% on a full year basis. The estimates of operating expenses are based on the Business' historical experience with other operating assets. This project is expected to begin contributing to the Business during 2018, based on the current expected in-service schedule. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*".

The forecasted operating costs are comprised of labor, power, property taxes and other operating costs. The forecast for operating costs is based on the Business' relevant experience operating similar assets, and if these operating costs were to increase or decrease by 10%, the resulting impact on Adjusted EBITDA from the Base Line Terminal would be an increase or decrease of less than 1.5% on a full year basis.

Marketing Materials

The following "marketing materials" (as such term is defined in NI 41-101) filed with the securities commission or similar authority in each of the provinces and territories of Canada are specifically incorporated by reference into this prospectus: (i) the "template version" (as such term is defined in NI 41-101) of the roadshow presentation dated May 10, 2017 and the template version of the revised roadshow presentation dated May 11, 2017; and (ii) the template version of the indicative term sheet dated May 10, 2017 and the template version of the final term sheet dated May 25, 2017. The final term sheet updated the information provided in the indicative term sheet to provide the final terms of the Offering, including the number of Restricted Voting Shares to be issued, the Offering price per Restricted Voting Share, information respecting the first dividend expected to be paid to holders of Restricted Voting Shares, the number of Special Voting Shares to be held, indirectly, by Kinder Morgan following closing of the Offering and the interests to be held, indirectly, by each of the Company and Kinder Morgan in the Limited Partnership following closing of the Offering.

The marketing materials incorporated by reference into this prospectus are not part of this prospectus to the extent that the contents of the template versions of such marketing materials have been modified or superseded by a statement contained in this prospectus.

The marketing materials incorporated by reference into this prospectus are available under the Company's profile on SEDAR at www.sedar.com. Investors are encouraged to read the full text of the aforementioned marketing materials. In addition, any template version of any other marketing materials filed on SEDAR after the date of this prospectus and before the termination of the distribution pursuant to the Offering (including any amendments to, or an amended version of, the template version of the marketing materials), is deemed to be incorporated by reference into this prospectus.

Financial Statements and Exemptive Relief

Unless otherwise stated, all historical and estimated future financial and other information and the financial statements included in this prospectus have been prepared in accordance with GAAP pursuant to the terms of the Exemptive Relief. See "*Exemptions from Certain Disclosure Requirements*". As GAAP differs in certain material respects from IFRS, such information and financial statements may not be directly comparable to the financial information or financial statements of other Canadian entities prepared in accordance with IFRS.

Market, Independent Third Party and Industry Data

Certain market, independent third party and industry data contained in this prospectus is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but none of the Company, Kinder Morgan, the Underwriters or any of their representatives has conducted its own independent verification of such information. This prospectus also includes certain data respecting, among other things, WCSB crude supply, pipeline capacity, tolls and toll ranges, rail costs and industry activity levels, expected commodity prices and foreign exchange rates and commodity supply and demand projections generated by independent third parties.

In particular, certain information included in this prospectus has been extracted directly from the following publicly available sources: (i) the 2016 CAPP Crude Oil Forecasts, Markets & Transportation, 2016 — 0007 report, which has been referenced with respect to WCSB pipeline takeaway capacity and crude supply, anticipated bitumen production growth, crude products consumption, demand and markets and crude products pricing information; (ii) the Environment and Climate Change Canada report respecting the Trans Mountain Expansion Project dated November, 2016, which has been referenced with respect to crude by rail transportation cost estimates; and (iii) the statistics and analysis of the U.S. Energy Information Administration, which has been referenced with respect to Alaskan North Slope crude supply data. In addition, the third party reportable right of way releases data provided in this prospectus was compiled, and industry average pipeline release values calculated, from raw 2013 — 2015 PHMSA incident and annual report data.

While the Company, Kinder Morgan and the Underwriters believe this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and other limitations and uncertainties inherent in any statistical survey. In addition, this market, independent third party and industry data has been prepared as of a specific date and therefore does not contemplate changes in facts and circumstances following such date. None of the Company, Kinder Morgan, the Underwriters or any of their representatives has independently verified any of the data from independent third party sources referred to in this prospectus or ascertained the underlying assumptions relied upon by such sources.

THE OFFERING

The following is a summary of the principal features of the Offering and should be read together with the more detailed information appearing elsewhere in this prospectus.

Issuer:	Kinder Morgan Canada Limited
Offering:	102,942,000 Restricted Voting Shares of the Company (118,383,300 Restricted Voting Shares if the Over-Allotment Option is exercised in full). See "*Plan of Distribution*". An aggregate of 345,000,000 Company Voting Shares will be outstanding following closing of the Offering.
Offering Price:	$17.00 per Restricted Voting Share.
Over-Allotment Option:	The Company has granted to the Underwriters the Over-Allotment Option, exercisable at the Underwriters' sole discretion at any time, in whole or in part, from time to time, until 30 days after closing of the Offering, to purchase, at the offering price, up to an additional 15,441,300 Restricted Voting Shares (representing 15% of the Restricted Voting Shares offered under this prospectus) to cover over-allotments, if any, and for market stabilization purposes. See "*Plan of Distribution*".
Restricted Voting Shares:	Each Restricted Voting Share entitles the holder to one vote at all meetings of shareholders, except meetings at which or in respect of matters on which only the holders of another class of shares are entitled to vote separately as a class pursuant to applicable laws. Subject to the rights of holders of another class of shares of the Company, each Restricted Voting Share entitles the holder to receive any dividend declared by the Company on the Restricted Voting Shares and to receive the remaining property of the Company in the event of liquidation, dissolution or winding-up of the Company. Unless otherwise required by law, the holders of Restricted Voting Shares and Special Voting Shares will vote together as a single class. See "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Limitations on Voting Power of the Holders of Restricted Voting Shares*". 102,942,000 Restricted Voting Shares will be outstanding following closing of the Offering, representing approximately 30% of the total outstanding Company Voting Shares (approximately 34% if the Over-Allotment Option is exercised in full). See "*Description of Share Capital and Partnership Units.*"
Kinder Morgan Interest (Special Voting Shares):	Each Special Voting Share entitles the holder thereof to one vote per share held at all meetings of the shareholders, except meetings at which or in respect of matters on which only the holders of another class of shares are entitled to vote separately as a class pursuant to applicable laws. The holders of Special Voting Shares are generally not entitled to receive dividends or other distributions. Subject to the rights of the holders of preferred shares of the Company then outstanding, if any, and in priority to the holders of Restricted Voting Shares, each Special Voting Share entitles the holder to an amount of $0.000001 per Special Voting Share in the event of liquidation, dissolution or winding-up of the Company. Unless otherwise required by law, the holders of Restricted Voting Shares and Special Voting Shares will vote together as a single class. See "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Limitations on Voting Power of the Holders of Restricted Voting Shares*". The Company's articles contain "coattail" provisions restricting the transfer of Special Voting Shares in certain

circumstances. See "*Description of Share Capital and Partnership Units — Take-over Bid Protection — Coattail Arrangements*".

Upon closing of the Offering, Kinder Morgan will indirectly own 242,058,000 Special Voting Shares of the Company, representing approximately 70% of the total outstanding Company Voting Shares, (approximately 66% if the Over-Allotment Option is exercised in full), and will retain an approximate 70% interest (an approximate 66% interest if the Over-Allotment Option is exercised in full) in the Business through its indirect ownership of the Class B Units of the Limited Partnership.

See "*Description of Share Capital and Partnership Units*".

Use of Proceeds: Kinder Morgan intends to sell a portion of its interest in the Business through the Offering. The gross proceeds from the Offering will be $1,750,014,000. If the Over-Allotment Option is exercised in full, the gross proceeds to the Company from the Offering will be $2,012,516,100.

The Company will use the proceeds from the Offering to acquire an approximate 30% interest (an approximate 34% interest if the Over-Allotment Option is exercised in full) in the Business indirectly from Kinder Morgan through the indirect subscription for Class A Units of the Limited Partnership. The proceeds received from the Company will be used to repay the KMI Loans and to make a distribution to Kinder Morgan with any remaining proceeds. If the Over-Allotment Option is exercised in whole or in part, the Limited Partnership will use the proceeds received from the Company to repay all or a portion of the Acquisition Notes. Accordingly, none of the proceeds of the Offering will be retained for use by the Business. See "*Relationship with Kinder Morgan — The Reorganization and the Offering*" and "*Use of Proceeds*".

Dividend Policy: The Company currently intends to establish a dividend policy pursuant to which the Company will pay a quarterly dividend in an amount based on its portion of the Business' distributable cash flow. The Company is currently targeting an initial dividend in the amount of approximately $0.65 per Restricted Voting Share on an annualized basis, or approximately $66.9 million in the aggregate (approximately $76.9 million if the Over-Allotment Option is exercised in full), assuming the payout of substantially all of the Business' distributable cash flow excluding capitalized equity financing costs. Assuming closing of the Offering occurs on May 30, 2017, the first dividend for the period from closing of the Offering to June 30, 2017 is expected to be paid on or about August 15, 2017 to shareholders of record on July 31, 2017 in the amount of $0.0571 per Restricted Voting Share (representing the dividend payable for the period between closing of the Offering and June 30, 2017).

The payment of dividends is not guaranteed and the amount and timing of any dividends will be at the discretion of the Board of Directors. Although the Company intends to pay quarterly dividends to holders of Restricted Voting Shares, those cash dividends may be reduced or suspended. The actual amount of cash dividends paid to holders of Restricted Voting Shares, if any, will depend on numerous factors including: (i) the results of operations for the Business; (ii) financial requirements for the Business, including the funding of current and future growth projects; (iii) the amount of distributions paid indirectly by the Limited Partnership to the Company through the General Partner, including any contributions from the completion of the Business' growth projects; (iv) the satisfaction by the Company and the General Partner of certain liquidity and solvency tests; (v) any agreements relating to the indebtedness of the Company or the Limited Partnership; and (vi) the cost and timely completion of current and future growth projects. See "*Dividend Policy*" and "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Cash Dividend Payments are Not Guaranteed*".

Standstill/Lock-Up:

The Company has agreed that, subject to certain exceptions, it will not, and the Company shall use its reasonable commercial efforts to have each of its directors and executive officers who hold Restricted Voting Shares immediately following closing of the Offering to agree to not, directly or indirectly, without the prior written consent of TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld, issue, in the case of the Company, and sell (or direct the sale of), in the case of the directors and executive officers of the Company, or offer, grant any option, warrant or other right to purchase or agree to issue or sell, or otherwise lend, transfer, assign, pledge or dispose of, in a public offering or by way of private placement or otherwise, any equity securities of the Company or other securities convertible into, exchangeable for, or exercisable into Restricted Voting Shares or other equity securities of the Company, or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, for a period of 180 days from the date of closing of the Offering. See "*Plan of Distribution — Lock-Up*".

In addition, Kinder Morgan has agreed that it will not directly or indirectly, without the prior written consent of TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld, sell (or direct the sale of), or offer, grant any option, warrant or other right to purchase of any of its Class B Units for a period of 180 days from the date of closing of the Offering. See "*Plan of Distribution — Lock-Up*".

PROSPECTUS SUMMARY

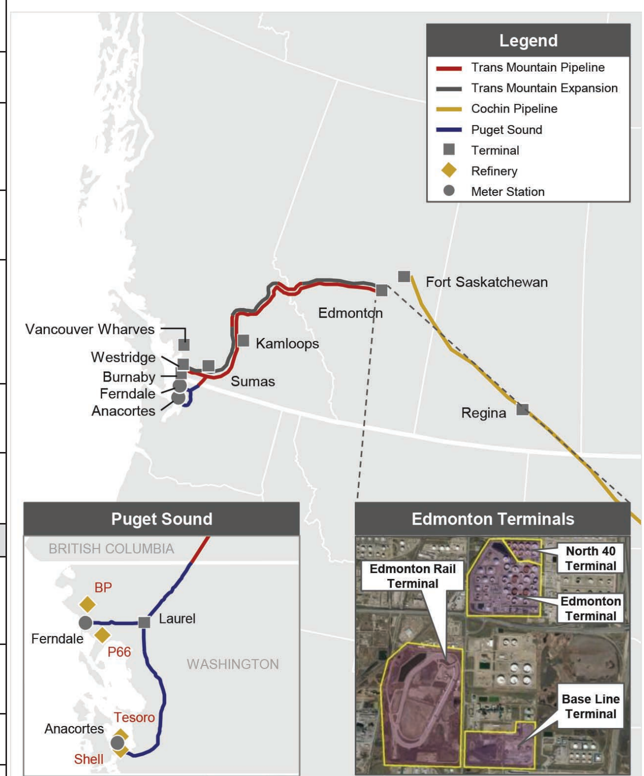
The following is a summary of the principal features of the Company and the Business and should be read together with the more detailed information and financial data and statements appearing elsewhere in this prospectus. Reference is made to the "Glossary" and "Abbreviations and Conversions" for the meaning of certain defined terms and abbreviations. ***In reviewing the information set forth in this summary regarding the Business, investors should note that following the closing of the Offering and completion of the Reorganization, the Company will hold an approximate 30% interest in the Business.*** *See "The Business" and "Risk Factors".*

The Business

Overview of Assets

Asset	Capacity	
Pipelines		
Trans Mountain Pipeline System	~300 MBbl/d	▪ Only pipeline in Canada transporting crude oil and refined products to the West Coast
Trans Mountain Expansion Project	~890 MBbl/d (~590 incr.)	▪ Expected in-service end of 2019 with total capital cost currently estimated to be ~$7.4 billion(1)
Puget Sound Pipeline System	~240 MBbl/d	▪ Ships from the Sumas Terminal to Washington State refineries via TMPL
Edmonton Terminal	~8,000 MBbl (storage)	▪ 35 tanks in total, majority serving TMPL regulated service ▪ 15 of 35 tanks leased to Terminals business (unregulated entity)(2)
Westridge Marine Terminal	395 MBbl (storage)	▪ Liquids export / import terminal in Burnaby, which can accommodate Aframax sized tankers
Kamloops / Sumas / Burnaby Terminals	2,560 MBbl (total storage)	▪ Kamloops: 2 tanks serving TMPL (160 MBbl) ▪ Sumas: 6 tanks all serving TMPL (715 MBbl) ▪ Burnaby: 13 tanks serving TMPL (1,685 MBbl)
Jet Fuel Pipeline System(3)	45 MBbl (storage)	▪ Transports jet fuel from refinery in Burnaby and the Westridge Marine Terminal to Vancouver International Airport
Canadian Cochin Pipeline System(4)	~110 MBbl/d	▪ Transports condensate from the Canada/U.S. border near Maxbass, North Dakota to Fort Saskatchewan, Alberta
Terminals		
Edmonton South Terminal	5,100 MBbl (storage)	▪ 15 tanks currently leased from Trans Mountain(2) ▪ Tanks sub-leased to third parties in unregulated service (merchant tanks)
Edmonton Rail Terminal	210 MBbl/d (capacity)	▪ Operated 50/50 joint venture with Imperial Oil (largest origination crude-by-rail terminal in North America)
Alberta Crude Terminal	40 MBbl/d (capacity)	▪ Non-operated 50/50 joint venture with Keyera (fully contracted)
Vancouver Wharves Terminal	4.0 mmtpa bulk + 1,500 MBbl p.a,	▪ Bulk commodity marine terminal provides handling, storage, loading and unloading services
North 40 Terminal	2,150 MBbl (storage)	▪ Merchant crude oil storage and blending services
Base Line Terminal	4,800 MBbl (storage)	▪ 50/50 operated joint venture with Keyera (12 tanks planned to be in service throughout 2018)

Overview Map of Business



Notes:

(1) Includes capitalized financing costs.

(2) The Company currently expects that two of the 15 merchant tanks comprising the Edmonton South Terminal will be recalled by Trans Mountain upon the completion of the Trans Mountain Expansion Project for use in TMPL regulated service. See "*The Business — Terminals — Overview of Terminals — Edmonton South Terminal*".

(3) The Jet Fuel pipeline system has a BCUC-approved settlement that ends in 2018.

(4) Canadian Cochin pipeline system is part of the Cochin pipeline system which transports condensate from Kankakee County, Illinois to Fort Saskatchewan, Alberta. Capacity on the U.S. portion of Cochin pipeline system, which will not be owned by the Business, is approximately 95 MBbl/d.

Investment Highlights

The Company believes that an investment in the Business (indirectly through the purchase of Restricted Voting Shares) provides investors with exposure to a unique combination of energy infrastructure business opportunities. See "*The Business — Investment Highlights*". The information set out below includes a number of forward-looking statements that reflect the Company's anticipated results. Such forward-looking statements are expressly qualified by the cautionary statement under the heading "*Notice to Investors — Forward-Looking Statements*".

Portfolio of strategically located energy infrastructure assets, including Canada's only liquids pipeline system connected to the West Coast

The Business is comprised of a portfolio of strategic energy infrastructure assets across Western Canada. The Trans Mountain pipeline system, with connections to 20 incoming pipelines and current transportation capacity of approximately 300,000 barrels per day (based on throughput of 80% light oil and refined products and 20% heavy oil), is the only Canadian crude oil and refined products export pipeline with North American West Coast tidewater access (specifically, British Columbia and Washington State). In Alberta, the Business has one of the largest integrated networks of crude tank storage and rail terminals in Western Canada and the largest merchant terminal storage facility in the Edmonton market. The Business also operates the largest origination crude by rail loading facility in North America. In British Columbia, the Business controls the largest mineral concentrate export/import facility on the west coast of North America through its Vancouver Wharves Terminal. Through its Puget Sound pipeline system the Business ships crude oil to refineries in Washington State and its Canadian Cochin pipeline system transports light condensate originating from the United States to Fort Saskatchewan, Alberta.

Given crude production forecasts, the strategic locations and services offered by the Business and the challenges faced by the energy sector looking to construct major infrastructure projects, the asset base of the Business has many unique attributes that offer significant, sustainable competitive advantages that the Company believes would be challenging for competitors to replicate over the near to mid-term.

See "*The Business — Investment Highlights — Portfolio of strategically located energy infrastructure assets, including Canada's only liquids pipeline system connected to the West Coast*".

Strategic sponsorship with aligned industry-leading operator

Kinder Morgan is one of the largest energy infrastructure companies in North America and is the largest independent transporter of petroleum products and terminal operator in North America. It has the largest natural gas pipeline network and is also the largest transporter of carbon dioxide in North America. Kinder Morgan's corporate culture of operational excellence and commitment to safety has laid the foundation for a strong, sustainable Canadian business, where the company has an industry-leading operating track record.

Kinder Morgan will, indirectly, hold a majority interest in the Business following closing of the Offering and has advised the Company that it intends to be a long-term shareholder in the Business.

See "*The Business — Investment Highlights — Strategic sponsorship with aligned industry-leading operator*".

Sizeable growth project of strategic national importance to Canada

At an estimated total capital cost of approximately $7.4 billion (including capitalized financing costs), upon completion, the Trans Mountain Expansion Project will provide western Canadian crude oil producers with an additional 590,000 barrels per day of shipping capacity and tidewater access to the western United States (most notably Washington, California and Hawaii) and global markets (most notably Asia).

The Trans Mountain Expansion Project has been designed to result in two active pipelines which, combined, are expected to be able to provide batched transportation service for a variety of crude oil types and products. Following completion of the expansion, the Trans Mountain pipeline system will have total transportation capacity of 890,000 barrels per day, with approximately 80% of this total capacity (the maximum amount under the regulated limit imposed by the NEB) being contracted under long-term firm commitments (the majority having a 20-year term). As a result of this contracted capacity and anticipated spot volume demand, the construction of the Trans Mountain Expansion Project is expected to significantly increase the Business' Adjusted EBITDA over the next number of years.

See "*The Business — Investment Highlights — Sizeable growth project of strategic national importance to Canada*".

Meaningful organic growth opportunities in terminals, storage and diluent businesses

In addition to the Trans Mountain Expansion Project and the Base Line Terminal project (which is also anticipated to have a positive impact on the annual Adjusted EBITDA of the Business), the remaining assets of the Business are capable of providing further meaningful organic growth opportunities. In particular, through its interest in the Vancouver Wharves Terminal, the Business controls one of the last remaining parcels of land available for development in Port Metro Vancouver. While no definitive decisions have been made with respect to this asset, several possible projects have been identified and are in various stages of evaluation and/or development. Further, should there be sufficient future demand, the Canadian Cochin pipeline system has the potential to reach approximately 110,000 barrels per day if additional receipt points in Canada are established and the Puget Sound pipeline system is capable of being expanded to increase its capacity from approximately 240,000 barrels per day to approximately 500,000 barrels per day. Similarly, while Kinder Morgan does not presently have plans to expand the TMPL system outside of the current scope of the Trans Mountain Expansion Project, the combined capacity of the expanded system could potentially be further increased to approximately 1.2 million barrels per day with additional power and without significant pipeline looping.

See "*The Business — Investment Highlights — Meaningful organic growth opportunities in terminals, storage and diluent businesses*".

The Company expects the Business will generate predictable, growing cash available for distribution to support regular and growing dividends

The assets of the Business are well-suited to support regular and growing dividend payments. The Company currently intends to establish a dividend policy pursuant to which the Company will pay a quarterly dividend in an amount based on its portion of the Business' distributable cash flow. The Company is currently targeting an initial dividend in the amount of approximately $0.65 per Restricted Voting Share on an annualized basis, or approximately $66.9 million in the aggregate (approximately $76.9 million if the Over-Allotment Option is exercised in full), assuming the payout of substantially all of the Business' distributable cash flow excluding capitalized equity financing costs.

See "*The Business — Investment Highlights — The Company expects the Business will generate predictable, growing cash available for distribution to support regular and growing dividends*".

Target capital structure consistent with an investment grade profile

The Business is not expected to have drawn corporate or asset level debt at the time of the closing of the Offering. A significant majority of the capital expenditure requirements related to the Trans Mountain Expansion Project are expected to be funded through a combination of the Credit Facility and other loans, dividend and distribution reinvestments and the issuance of preferred equity. The Business' targeted funding mix during construction and following completion of the Trans Mountain Expansion Project is intended to be consistent with an investment grade credit rating.

See "*The Business — Investment Highlights — Target capital structure consistent with an investment grade profile*".

The Trans Mountain Expansion Project

In May 2013, the NEB approved certain commercial terms of Trans Mountain's proposal for the Trans Mountain Expansion Project and in December 2013, Trans Mountain submitted its formal facilities application in respect of the project. On May 19, 2016, following an extensive 29 month review, the NEB recommended that the Government of Canada approve the Trans Mountain Expansion Project, subject to the satisfaction of 157 required conditions. These conditions apply during various stages of the proposed project's lifecycle, including before construction, during construction and during the operation of the expanded TMPL system. The conditions are designed to reduce possible risks that were identified by the NEB during the application process. The conditions cover a wide range of areas including safety and integrity, emergency preparedness and response, environmental protection, ongoing consultation with stakeholders, socio-economic matters, financial responsibility and affirmation of commercial support.

On November 29, 2016, the Government of Canada approved the Trans Mountain Expansion Project and on December 1, 2016, the NEB issued its Certificate of Public Convenience and Necessity. The approval of the Trans Mountain Expansion Project by the Government of Canada was provided in the context of a broader pipeline plan developed by the federal government designed to grow the Canadian economy while protecting environmentally sensitive areas. As a result, along with the announcement of the Trans Mountain Expansion Project approval, the Government of Canada also noted that, among other things: (i) the implementation of a moratorium on persistent oil tankers along British Columbia's north coast; (ii) that more than \$300 million had been committed to Indigenous groups by Kinder Morgan under mutual benefit agreements and the Government of Canada had agreed to provide funding for an Indigenous advisory and monitoring committee to work with federal regulators and Kinder Morgan to oversee environmental aspects of the Trans Mountain Expansion Project and other projects throughout their applicable life cycles; (iii) before any shipping from the Trans Mountain Expansion Project begins, a recovery plan for the southern resident killer whale population and a \$1.5 billion national ocean protection plan will be implemented to improve marine safety and responsible shipping; (iv) Trans Mountain is required to develop a construction-related emissions offset plan to achieve zero net emissions; and (v) through the climate leadership plan, the Government of Alberta had committed to cap oil sands emissions at 100 megatonnes of CO_2 per year to limit future potential upstream greenhouse gas emissions.

On January 11, 2017, the Government of British Columbia announced the issuance of an environmental assessment certificate from B.C.'s Environmental Assessment Office to Trans Mountain for the B.C. portion of the Trans Mountain Expansion Project. The environmental assessment certificate includes 37 conditions that are in addition to and designed to supplement the 157 conditions required by the NEB.

In addition, on January 11, 2017, the Government of British Columbia announced that the Trans Mountain Expansion Project had met the B.C. Government's five conditions relating to world-leading marine and land oil spill response, protection and recovery measures for B.C.'s coast and land areas, environmental reviews, First Nations consultations and participation and economic agreements that reflect the level and nature of the risk the province bears with a heavy oil project. Trans Mountain has entered into an agreement to contribute a guaranteed amount of \$25 million annually for 20 years to the B.C. Government, and up to a maximum of \$50 million annually, depending on spot volume shipments. The B.C. Government has stated that all of the proceeds received from Trans Mountain pursuant to this agreement will be used and applied to a new B.C. Clean Communities Program, or similar program, which has a mandate to provide funding for projects and initiatives that protect the environment and benefit communities, including local projects that protect, sustain and restore B.C.'s natural and coastal environments.

Trans Mountain incorporated the NEB's 157 conditions and the 37 conditions of the Government of British Columbia into its cost estimates and project schedule and, in response to public feedback, has implemented certain additional changes to the Trans Mountain Expansion Project including, among other things, increasing pipe wall thickness and adding additional drilled crossings in environmentally sensitive areas and the Burnaby Mountain tunnel. These and other factors resulted in an updated estimated Trans Mountain Expansion Project cost of approximately \$7.4 billion (including capitalized financing costs).

By the end of March 2017, as a result of the Trans Mountain Expansion Project's open season processes, 13 companies had entered into transportation service agreements (one 15-year and 12 20-year) with Trans

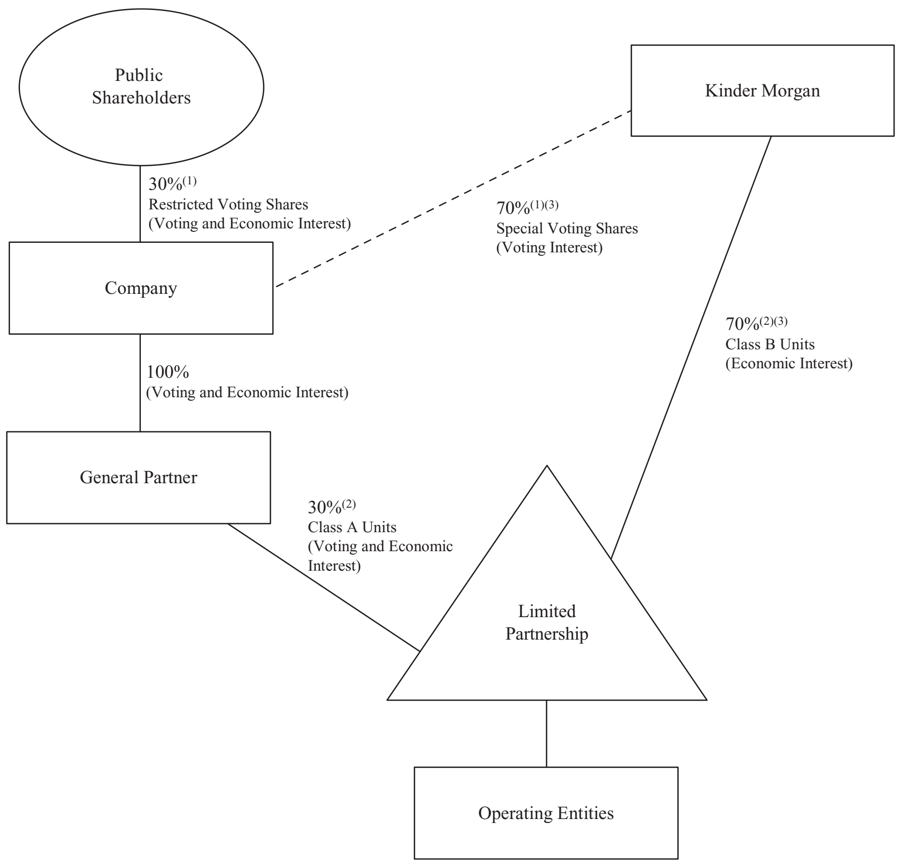
Mountain for a total of 707,500 barrels per day, representing approximately 80% of the expanded system's capacity (the maximum amount under the regulated limit imposed by the NEB).

See "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines — The Trans Mountain Expansion Project*".

Formation of the Company and the Limited Partnership

The Company was incorporated under the ABCA on April 7, 2017. On May 24, 2017, the Company amended its articles to, among other things, add "coattail" provisions restricting the transfer of Special Voting Shares in certain circumstances. The head office of the Company is located at Suite 2700, 300 – 5th Avenue S.W., Calgary, Alberta T2P 5J2 and the registered office of the Company is located at 3500, 855 – 2nd Street S.W., Calgary, Alberta T2P 4J8.

The Limited Partnership will, directly and indirectly, own the Business. See "*Description of Share Capital and Partnership Units — the Limited Partnership*". Following completion of the Reorganization and closing of the Offering, the simplified structure of the Company and the Limited Partnership, including the interest in the Limited Partnership, and therefore the Business, held by the Company and Kinder Morgan, will be as follows:



Notes:

(1) Approximate percentages based on ownership of total outstanding Company Voting Shares, assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, Kinder Morgan will, indirectly through KMCC and KM Canada Terminals, hold 226,616,700 Special Voting Shares (approximately 66% of the total issued and outstanding Company Voting Shares), with public shareholders collectively holding 118,383,300 Restricted Voting Shares (approximately 34% of the total issued and outstanding Company Voting Shares).

(2) Approximate percentages based on ownership of total outstanding LP Units, assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, Kinder Morgan will, indirectly through KMCC and KM Canada Terminals, hold an

approximate 66% interest in the Limited Partnership and the Company will, indirectly through the General Partner, hold an approximate 34% interest in the Limited Partnership.

(3) Held indirectly through KMCC and KM Canada Terminals.

The Reorganization and the Offering

Prior to closing of the Offering, the Limited Partnership will acquire the Business from KMCC and KM Canada Terminals in exchange for the issuance to KMCC and KM Canada Terminals of Class B Units of the Limited Partnership and the Acquisition Notes (and, KMCC and KM Canada Terminals will be issued Special Voting Shares for nominal consideration). Immediately following closing of the Offering, the Company will use the proceeds from the Offering to indirectly subscribe for Class A Units representing an approximate 30% interest in the Limited Partnership (approximately 34% if the Over-Allotment Option is exercised in full).

Upon completion of the transactions described above, purchasers under the Offering will hold 100% of the issued and outstanding Restricted Voting Shares, comprising approximately 30% of the votes attached to all outstanding Company Voting Shares, and Kinder Morgan, indirectly through KMCC and KM Canada Terminals, will own 100% of the Special Voting Shares, comprising approximately 70% of the votes attached to all outstanding Company Voting Shares, in each case prior to any exercise of the Over-Allotment Option.

For a description of the Business, see "*The Business*" and for a description of the material terms of the Reorganization, see "*Relationship with Kinder Morgan — The Reorganization and the Offering*".

Services Agreement

In connection with the Offering, the Company, the General Partner, the Limited Partnership and KMCI will enter into the Services Agreement. Under the Services Agreement, KMCI, which is an indirect subsidiary of the Company, will, under the supervision of the Company's executive officers and Board of Directors, provide certain operational and administrative services in connection with the management of the business and affairs of the Kinder Morgan Canada Group, or where requested, coordinate on behalf of entities in the Kinder Morgan Canada Group to procure assistance and/or support in providing such services from its affiliates. The individuals providing services or assistance and/or support in connection therewith pursuant to the Services Agreement primarily will be employees of KMCI or, in some cases, its affiliates. Any support and/or assistance with any services provided by an affiliate of KMCI outside of the Kinder Morgan Canada Group will be reimbursed at cost, unless otherwise required under applicable laws. See "*The Company and the Limited Partnership — Services Agreement*".

Relationship with Kinder Morgan

Following completion of the Reorganization and closing of the Offering, Kinder Morgan will indirectly own all of the outstanding Special Voting Shares, resulting in Kinder Morgan exercising control or direction over a majority of the Company Voting Shares. The percentage of Company Voting Shares indirectly held by Kinder Morgan relative to other holders will be in proportion to its indirect interest in the Limited Partnership at any point in time. Kinder Morgan has advised the Company that it intends to remain, indirectly, the majority voting shareholder in the Company. Each director of the Company is expected to comply with all applicable provisions of the ABCA relating to conflicts of interest. The Company and Kinder Morgan will be subject to all applicable corporate and securities laws with respect to related party transactions, conflicts of interest and use of material non-public information.

Concurrently with closing of the Offering, the Company, the General Partner, the Limited Partnership and Kinder Morgan (in relation to certain provisions only) will enter into the Cooperation Agreement which will govern certain matters among the parties. Following completion of the Reorganization and closing of the Offering, the board of directors of the General Partner will be comprised of the same individuals as the Board of Directors. Similarly, the executive officers of the General Partner are expected to be the same as the executive officers of the Company. See "*Relationship with Kinder Morgan — Agreements between the Company and Kinder Morgan — Cooperation Agreement*" and "*Directors and Executive Officers*".

The interests of Kinder Morgan may conflict with those of other shareholders. See "*Risk Factors — Risks Relating to the Company's Relationship with Kinder Morgan*".

Summary of Selected Historical Financial Information

The following table sets forth, for the periods and at the dates indicated, the summary historical combined consolidated GAAP income statement and balance sheet information of the Business as well as certain non-GAAP financial measures and financial information. The table is derived from the Business' historical combined consolidated financial statements and notes thereto included in this prospectus and should be read in conjunction with those historical combined consolidated financial statements. Following closing of the Offering and completion of the Reorganization, the Company will indirectly hold an approximate 30% interest in the Business (an approximate 34% interest if the Over-Allotment Option is exercised in full).

	As at and for the Three Months Ended March 31,		As at and for the Years Ended December 31,		
(In thousands of Canadian dollars)	**2017**	**2016**	**2016**	**2015**	**2014**
GAAP Income Statement Information:					
Revenues	164,494	166,576	676,090	645,889	505,202
Operating income	51,070	60,199	237,412	242,251	162,865
Unrealized foreign exchange gain (loss)	10,867	70,554	32,592	(185,359)	(78,334)
Net income (loss)	46,767	111,966	201,752	(22,910)	19,529
Non-GAAP Financial Measures:[(1)]					
DCF of the Business	82,585	88,220	318,197	272,694	147,327
Adjusted EBITDA	92,412	104,322	395,430	368,666	256,909
Financial Information, Adjusted for the Offering and the Reorganization:[(1)(2)]					
Net income attributable to non-controlling interests (Kinder Morgan)	32,737	78,376	141,226	(16,037)	13,670
Net income attributable to the Company	14,030	33,590	60,526	(6,873)	5,859
DCF available to non-controlling interests (Kinder Morgan)	57,810	61,754	222,738	190,886	103,129
DCF available to the Company[(3)]	24,775	26,466	95,459	81,808	44,198
GAAP Balance Sheet Information (at end of period):					
Property, plant and equipment, net	3,215,064	3,033,988	3,181,075	3,008,319	2,827,037
Total assets	3,825,088	3,533,033	3,739,388	3,485,162	3,410,572
Long-term debt-affiliates	1,352,337	1,271,951	1,362,126	1,320,420	1,050,140
Total equity	1,482,667	1,360,481	1,435,956	1,250,987	1,296,806

Notes:

(1) See "*Notice to Investors — Non-GAAP Financial Measures*".

(2) Financial information assumes the completion of the Reorganization and the closing of the Offering (excluding the exercise of the Over-Allotment Option) resulting in the Company holding an approximate 30% interest in the Business and Kinder Morgan holding an approximate 70% interest in the Business (Kinder Morgan's interest is described as "non-controlling interest" for the purposes of this information), in each case as if such had occurred at the beginning of the respective period.

(3) For further information respecting DCF on a per Restricted Voting Share basis, see "*Distributable Cash Flow*".

In reviewing the above information, reference should be made to: (i) the historical combined consolidated financial statements for the Business as at March 31, 2017 and for the three months ended March 31, 2017 and March 31, 2016; (ii) the historical audited combined consolidated financial statements for the Business as at December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016, 2015 and 2014, in each case together with the related notes; and (iii) the sections entitled "*Selected Historical Financial Information*", "*Management's Discussion and Analysis*" and "*Risk Factors*", in each case included elsewhere in this prospectus.

Risk Factors

An investment in Restricted Voting Shares is subject to a number of risks that should be considered carefully by a prospective purchaser. **The business, financial condition and results of operations of the Company, including its ability to pay cash dividends, are substantially dependent on the business, financial condition and results of operations of the Business and the successful development of the Trans Mountain Expansion Project. As a result, factors or events that impact the Business as well as the costs associated with and the time required to complete (if completed) the Trans Mountain Expansion Project, are likely to have a commensurate impact on the Company, the market price and value of the Restricted Voting Shares and the ability of the Company to pay dividends. Similarly, given the nature of the relationship between the Company and the Business on the one hand and Kinder Morgan on the other hand, factors or events that impact Kinder Morgan may have consequences for the Company and/or the Business.** The risks associated with the Business and an investment in the Restricted Voting Shares, include, but are not limited to, risks relating to the business and operations of the Business, the Company's relationship with Kinder Morgan, the Offering and the Restricted Voting Shares.

In particular, the Business, the Company and the Restricted Voting Shares will be subject to, among others, the following risks:

- the development and construction of the Trans Mountain Expansion Project and other major expansion projects, are subject to significant risk and, should any number of risks arise, such projects may be inhibited, delayed or stopped altogether;
- the debt levels of the Business, including increases in such debt levels, could have significant negative consequences for the Business;
- negative public opinion or reputational issues of the Company, the Business and/or Kinder Morgan could have an adverse effect on the Business and/or the significant projects being undertaken in the Business, including the Trans Mountain Expansion Project;
- the failure by the Business to resolve issues relating to Aboriginal rights and title and the Crown's duty to consult could have a material adverse effect on the Trans Mountain Expansion Project and/or the Business;
- changes in government, loss of government support, public opposition and the concerns of special interest groups and non-governmental organizations may expose the Business to higher costs, delays or even project cancellations;
- the Business is subject to significant operational risks, including those relating to the breakdown or failure of equipment, pipelines and facilities; releases and spills; operational disruptions or service interruptions; and catastrophic events;
- Kinder Morgan will direct the majority of the combined voting power of the Company Voting Shares, including the election of directors with respect to the Company and the General Partner, which effectively limits the ability of holders of the Restricted Voting Shares to influence corporate and partnership matters for the foreseeable future;
- there is currently an absence of a public market for the Restricted Voting Shares;
- the issuance by the Company of further equity or voting shares, including preferred shares, may have a significant negative price or dilutive impact on the Restricted Voting Shares or the Company or the Limited Partnership may be required to issue additional dilutive securities, including preferred shares or units, as applicable, at depressed prices;
- the payment of dividends is not guaranteed and is subject to a number of significant factors and risks; and
- if a market develops, the market price for Restricted Voting Shares may be volatile and subject to wide fluctuations.

Prospective purchasers of Restricted Voting Shares should carefully consider the information set forth under the heading "*Risk Factors*" and the other information included in this prospectus before deciding to invest in Restricted Voting Shares.

RISK FACTORS

The risks set out below are not an exhaustive description of all the risks associated with the Trans Mountain Expansion Project, the Business, the Company, the Company's relationship with Kinder Morgan, the oil and gas pipelines and terminals businesses generally, the Offering or the Restricted Voting Shares. A prospective investor should carefully consider each and every one of the risk factors set out below. In addition, prospective investors should carefully review and consider all other information contained in this prospectus before making an investment decision. An investment in Restricted Voting Shares should only be made by persons who can afford a significant or total loss of their investment.

There can be no assurance that an active trading market in the Restricted Voting Shares will develop or be sustained. The market price for the Restricted Voting Shares, should a trading market develop, could be subject to wide fluctuations. Factors such as increased costs and/or cost overruns related to the Trans Mountain Expansion Project, debt associated with the Trans Mountain Expansion Project, delays or stoppage of the Trans Mountain Expansion Project, reduced support of the federal, provincial or municipal governments in Canada for the Trans Mountain Expansion Project, court, legal and regulatory proceedings (including those relating to the Trans Mountain Expansion Project), increased government regulations, fluctuating commodity prices and interest rates, share price movements of the Company's peer companies and competitors, challenges related to the Business generally, as well as overall market conditions, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the oil and natural gas and related energy sectors, which have, in many cases, been unrelated to the operating performance of particular companies.

The business, financial condition and results of operations of the Company, including its ability to pay cash dividends, are substantially dependent on the business, financial condition and results of operations of the Business and the successful development of the Trans Mountain Expansion Project. As a result, factors or events that impact the Business as well as the costs associated with and the time required to complete (if completed) the Trans Mountain Expansion Project, are likely to have a commensurate impact on the Company, the market price and value of the Restricted Voting Shares and the ability of the Company to pay dividends. Similarly, given the nature of the relationship between the Company and the Business on the one hand and Kinder Morgan on the other hand, factors or events that impact Kinder Morgan may have consequences for the Company and/or the Business.

Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business

Major Projects, Including the Trans Mountain Expansion Project, May Be Inhibited, Delayed or Stopped

The ability to commence and complete construction on the Trans Mountain Expansion Project, as well as other expansion and new build projects, may be inhibited, delayed or stopped by a variety of factors (some of which may be outside of the control of the Company and/or the Business), including without limitation, inabilities to overcome challenges posed by or related to regulatory approvals by federal, provincial or municipal governments, difficulty in obtaining, or inability to, obtain permits (including those that are required prior to construction such as the permits required under the *Species at Risk Act*), Land Agreements, public opposition, blockades, legal and regulatory proceedings (including judicial reviews, injunctions, detailed route hearings and land acquisition processes), delays to ancillary projects that are required for the Trans Mountain Expansion Project (including, with respect to power lines and power supply), increased costs and/or cost overruns, inclement weather or significant weather-related events (including storms and rising sea levels (potentially resulting from climate change) impacting the Business' marine terminals) and other issues. In particular, detailed route hearings will be required where complaints arise. The NEB must approve the detailed route for the Trans Mountain Expansion Project before construction can commence. Such approval will be by segment. Detailed route hearings could result in delays and increased cost to the project and could require modifications to the detailed location, construction methods and construction schedule. To the extent the Business is not able to acquire land rights through negotiated agreements for the sections of the Trans Mountain Expansion Project that require new land rights, the Business will need to seek right of entry orders from the NEB, which could result in delays and increased cost to the Trans Mountain Expansion Project. In addition, the Company has applied for certain variances to the Certificate of Public Convenience and Necessity from the NEB and may apply for additional variances in the future. These variances may require, among other things, additional consultation and further regulatory processes and approvals before construction of the affected portions of the Trans Mountain Expansion Project can commence. These additional processes and approvals could result in delays, increased costs and/or cost overruns or other issues with respect to the project.

The Business is currently undertaking significant projects and may, in the future, further expand existing assets and construct new assets. Additionally, events such as inclement weather or significant weather-related events (including storms and rising sea levels (potentially resulting from climate change) impacting the Business' marine terminals), natural disasters, unforeseen geological conditions and delays in performance by third-party contractors may result in increased costs and/or cost overruns or delays in construction. Significant cost increases and/or cost overruns or delays could have a material adverse effect on the Company's or the Business' return on investment, results of operations and cash flows and could result in reduced or eliminated dividends, project cancellations or constraints on the Company's or the Business' ability to pursue other growth opportunities. While the Business incorporates contingency (contingency for the Trans Mountain Expansion Project is, on average approximately 5% of known costs plus an assumed escalation of costs of approximately 3% of the total capital estimate) and other mitigation into its "P95" project cost and schedule estimates, there is inherent subjectivity in many of the factors considered which can lead to significant variability in P95 estimates, particularly in the context of substantial and complex projects such as the Trans Mountain Expansion Project.

The Business must obtain and maintain the rights to construct and operate pipelines on other owners' land. If the Business were to lose these rights or be required to relocate its pipelines, the Business could be negatively affected. See also "—*Aboriginal Relationships*" below.

While a number of key governmental approvals have been received with respect to the Trans Mountain Expansion Project, the completion, timing and costs of the Trans Mountain Expansion Project are still subject to significant risks. Following the NEB's May 2016 recommendation of the Trans Mountain Expansion Project, a number of parties were granted leave to seek judicial review of the NEB's recommendation. Similarly, following the receipt by Trans Mountain of the Certificate of Public Convenience and Necessity in December 2016, a number of parties were granted leave to seek judicial review of the Governor in Council's approval of the Trans Mountain Expansion Project. Such requests for judicial review claim, among other things, that additional Aboriginal consultation, engagement or accommodation is required and that various non-economic impacts of the Trans Mountain Expansion Project were not adequately considered. The remedies sought include requests that the NEB recommendation report be quashed, that additional consultations be undertaken and that the order of the Governor in Council approving the Trans Mountain Expansion Project be quashed. As leave has been granted in a number of circumstances, the Federal Court of Appeal will review, in the case of the NEB, its recommendation that the Trans Mountain Expansion Project proceed and, in the case of the Government of Canada, the Governor in Council's approval of the Trans Mountain Expansion Project. In the event that an applicant is successful at the Federal Court of Appeal, among other things, the NEB recommendation or Governor in Council's approval may be quashed, permits may be revoked, the Trans Mountain Expansion Project may be subject to additional significant regulatory reviews, there may be significant changes to the Trans Mountain Expansion Project plans, further obligations or restrictions may be imposed or the Trans Mountain Expansion Project may be stopped altogether. In the event that an applicant is unsuccessful at the Federal Court of Appeal, they may further appeal such decision to the Supreme Court of Canada and in the event that an applicant is successful at the Supreme Court of Canada, among other things, the NEB recommendation or Governor in Council's approval may be quashed, permits may be revoked, the Trans Mountain Expansion Project may be subject to additional significant regulatory reviews, there may be significant changes to the Trans Mountain Expansion Project plans, further obligations or restrictions may be imposed or the Trans Mountain Expansion Project may be stopped altogether. In addition to the judicial reviews of the NEB recommendation report and Governor in Council's order, parties have also commenced judicial review proceedings at the Supreme Court of British Columbia seeking to quash the Environmental Assessment Certificate that was issued by the BC Environmental Assessment Office. In the event that an applicant for judicial review is successful, among other things, the Environmental Assessment Certificate may be quashed, provincial permits may be revoked, the Trans Mountain Expansion Project may be subject to additional significant regulatory reviews, there may be significant changes to the Trans Mountain Expansion Project plans, further obligations or restrictions may be imposed or the Trans Mountain Expansion Project may be stopped altogether. In the event that an applicant is unsuccessful at the Supreme Court of British Columbia, they may further seek to appeal the decision to the British Columbia Court of Appeal. Any decision of the British Columbia Court of Appeal may be appealed to the Supreme Court of Canada. A successful appeal at either of these levels could result in the same types of consequences described above.

To the extent the Business seeks to commence construction of the Trans Mountain Expansion Project prior to the determination of such judicial review applications by the applicable court, the applicants may seek an injunction from the court to prevent the Business from proceeding with construction until the litigation has been resolved. If such injunctive relief is granted, the Trans Mountain Expansion Project may be significantly delayed and incur additional costs.

Additional efforts to block or revise the Trans Mountain Expansion Project (including through new litigation, changes in government, protests, blockades or otherwise) may arise in the future and the success of any such future efforts may have the same or similar results. Events such as a change in government, legislative or regulatory changes, loss of government or community support or ongoing governmental or community opposition to projects, including the Trans Mountain Expansion Project (for example, the strong and likely unyielding opposition of the City of Burnaby), may disrupt or delay such projects or result in significant increased costs and/or overruns (see also "— *Reputational Risks and Risks Relating to Public Opinion*", "— *Aboriginal Relationships*", "— *Non-Governmental Organizations Could Impact Projects and Operations*" and "— *General Regulatory Risks*" below). The total stoppage of the Trans Mountain Expansion Project would have a material adverse effect on the Business. Further, in addition to potentially resulting in significant increased costs and/or cost overruns and delays, the quashing of the NEB recommendation or the Governor in Council's approval, the revocation of permits, additional significant regulatory reviews, significant changes to the Trans Mountain Expansion Project plans or the imposition of further obligations or restrictions, could materially impact the overall feasibility or economic benefits of the Trans Mountain Expansion Project, which, in turn, would have a material adverse effect on the Trans Mountain Expansion Project (including the anticipated increases to Adjusted EBITDA referenced in this prospectus) and, consequently, the Business.

The Business is currently in negotiations with contractors in respect of the construction of the various pipeline spreads of the Trans Mountain Expansion Project. As neither the contractors themselves nor the terms of the applicable contracts have been finalized, there can be no assurance that the construction contracts entered into in respect of the Trans Mountain Expansion Project will be finalized on terms that are advantageous to the Business or consistent with the Business' cost estimates. Further, there is no guarantee that, once such contracts are entered into, such contracts will be performed in a manner satisfactory to the Business. In the event that the Business must enter into construction contracts on terms that are less favourable to the Business or contractual counterparties fail to perform their duties in accordance with the terms of the applicable contract, the Trans Mountain Expansion Project may be delayed or the Business may incur significant additional costs.

In addition to the Trans Mountain Expansion Project, the Business is currently undertaking certain other growth projects and a number of potential growth opportunities have been identified in this prospectus. Such projects, and any potential growth opportunities that are undertaken will be subject to the same or similar risks as those identified above for the Trans Mountain Expansion Project and any new growth projects will be subject to, among other things, the receipt of regulatory approvals, feasibility and cost analyses, funding availability and industry, market and demand conditions. There can be no guarantee that any potential opportunities identified will be undertaken or completed or, if any such growth projects are undertaken there can be no certainty as to the timing, nature, extent or completion of such projects. Other than as disclosed in this prospectus, the Business has made no definitive decisions to undertake any other material growth projects.

The Company Could be Adversely Affected by a Significant Increase in the Debt Levels of the Business

The Business is expected to incur substantial additional indebtedness to fund capital expenditure requirements related to the Trans Mountain Expansion Project. See "*Description of Indebtedness — Credit Facility*". A significant increase in the debt levels of the Company or the Business could have significant negative consequences, including in connection with the Trans Mountain Expansion Project, such as (i) limiting the Company's ability to obtain additional financing to fund the Business' working capital, capital expenditures, debt service requirements or potential growth, including with respect to the Trans Mountain Expansion Project, or for other purposes; (ii) increasing the cost of its future borrowings; (iii) limiting its ability to use operating cash flow in other areas of the Business or to pay dividends or distributions because the Business must dedicate a substantial portion of these funds to make payments on its debt; (iv) placing the Business at a competitive disadvantage compared to competitors with less debt; and (v) increasing the vulnerability of the Business to adverse economic and industry conditions.

The ability of the Business to service debt will depend upon, among other things, the future financial and operating performance of the Business, which will be affected by the relative success (or lack thereof) of the Trans Mountain Expansion Project, prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond the control of the Business. If cash flow is not sufficient to service its debt, the Company and the Business will be forced to take actions such as reducing or eliminating dividends or distributions, reducing or delaying business activities (including its expansion projects), acquisitions, investments and/or capital expenditures, selling assets or seeking additional equity capital. The Business may not be able to effect any of these actions on satisfactory terms or at all. See also "*— The Company and/or the Business Will Require Access to External Capital*" and "*— Risks Relating to the Offering and Restricted Voting Shares — Negative Impact of Additional Sales or Issuances of Securities of the Company or the Limited Partnership*" below.

The terms of the Credit Facility, and any future debt incurred by the Business, may prevent the Company or the Limited Partnership from engaging in certain transactions, including paying dividends or distributions, as applicable, that might have otherwise been beneficial to the Company and the holders of Restricted Voting Shares. See "*Description of Indebtedness — Credit Facility*".

The Company and/or the Business Will Require Access to External Capital

The growth plans for the Business, including the Trans Mountain Expansion Project, require access to significant amounts of external capital. Limitations on the ability of the Company or the Business to access external financing sources could impair the ability of the Business to complete these significant projects, including the Trans Mountain Expansion Project. The Company will have limited amounts of internally generated cash flows to fund growth capital expenditures and acquisitions. In order to execute on the business plans for Business, including with respect to the completion of the Trans Mountain Expansion Project, the Company expects that both it and the Business will have to rely on external financing sources, including potential joint venture arrangements, additional commercial borrowings and issuances of debt and equity securities (including preferred securities), to fund such growth capital expenditures. Adverse changes to the availability, terms and cost of capital or interest rates could cause the cost of doing business to increase by limiting the Company's or the Business' access to capital, limiting the ability of the Business to pursue expansion opportunities or additional acquisitions and reducing its cash flows. Also, disruptions and volatility in the global financial markets may lead to an increase in interest rates or a contraction in credit availability impacting the Company's and/or the Business' ability to finance the operations of the Business on satisfactory terms.

Limitations on access to external financing sources with respect to the Business, whether due to tightened capital markets, more expensive capital or otherwise, or any significant reduction in the availability of credit would significantly impair the Company's ability to execute the growth strategy for the Business, including without limitation the completion of the Trans Mountain Expansion Project, which would have a significant material and adverse effect on the Business' business, financial condition and results of operations. In the event that the Company is required to issue additional equity or voting shares, including preferred shares, or the Limited Partnership issues additional securities, including preferred units, to raise funds that are required to continue operating the Business or complete the Trans Mountain Expansion Project or other expansion projects, the dilutive impact on existing shareholders would be increased and the price of the Restricted Voting Shares could decline. Further delays or cost overruns of key projects could result in depressed market prices or values of the Restricted Voting Shares and the issuance of additional equity or voting shares, including preferred shares, at such depressed prices may be required. See also "*— Risks Relating to the Offering and Restricted Voting Shares — Negative Impact of Additional Sales or Issuances of Securities of the Company or the Limited Partnership*" below.

Reputational Risks and Risks Relating to Public Opinion

The Trans Mountain Expansion Project, the Company's and/or the Business' other expansion and new build projects, as well as the Company's and/or Business' business, operations or financial condition generally may be negatively impacted as a result of any negative public opinion toward the Trans Mountain Expansion Project, the

Company's and/or the Business' other expansion and new build projects or as a result of any negative sentiment toward or in respect of Kinder Morgan's, the Company's or the Business' enterprise-wide reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Business operates as well as their opposition to development projects, including the Trans Mountain Expansion Project. In addition, market events specific to Kinder Morgan, the Company or the Business could result in the deterioration of Kinder Morgan's, the Company's or the Business' reputation with key stakeholders. Potential impacts of negative public opinion or reputational issues may include delays or stoppages in project execution, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support of the federal, provincial or municipal governments for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or Land Agreements and increased costs and/or cost overruns in respect of the Trans Mountain Expansion Project and/or the loss or degradation of business of the Business generally. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard Kinder Morgan's, the Company's and the Business' reputation. Kinder Morgan's, the Company's and the Business' reputation and public opinion could also be impacted by the actions and activities of other companies operating in the energy industry, particularly other energy infrastructure providers, over which Kinder Morgan, the Company and the Business have no control. In particular, the Company's, the Business' or Kinder Morgan's reputation could be impacted by negative publicity related to pipeline incidents, unpopular expansion plans or new projects and due to opposition from organizations opposed to energy, oil sands and pipeline development and particularly with shipment of production from oil sands regions that are considered to increase GHG emissions and contribute to climate change. Negative impacts from a compromised reputation or changes in public opinion (including with respect to the production, transportation and use of hydrocarbons generally) could include revenue loss, reduction in customer base, delays in obtaining, or challenges to, regulatory approvals with respect to growth projects and decreased value of the Company's securities, including the Restricted Voting Shares and the Business.

Aboriginal Relationships

The Canadian courts have confirmed that the Crown has a duty to consult with Aboriginal people, and to accomodate if necessary, when its decisions or actions may adversely affect Aboriginal rights and interests or treaty rights. Crown consultation has the potential to delay regulatory approval processes and construction, which may affect the economics of projects, including the Trans Mountain Expansion Project. In some cases, respecting Aboriginal rights may mean regulatory approval is denied or the conditions in the approval make a project economically challenging or not feasible. Certain of the Trans Mountain Expansion Project-related claims for which leave to seek judicial review at the Federal Court of Appeal has been granted, involve, among other things, Aboriginal rights and title and the Crown's duty to consult. In one of the appeals, the Coldwater Indian Band seeks to appeal a decision by the federal trial court denying a petition seeking judicial review of the decision by the Minister of Aboriginal Affairs to approve the assignment of a 1952 Trans Mountain Indenture to KMCI. The petitions seeking judicial review of the recommendation of the NEB, the subsequent decision by the Governor in Council to approve the Trans Mountain Expansion Project and the issuance of the B.C. Environmental Assessment Certificate allege, among other things, that additional consultation, engagement or accommodation is required and that various non-economic impacts of the Trans Mountain Expansion Project were not adequately considered. In addition to the potential impacts of such claims noted above under "*— Major Projects, Including the Trans Mountain Expansion Project, May Be Inhibited, Delayed or Stopped*", a successful claim respecting Aboriginal title along any portion of the Trans Mountain Expansion Project route could result in, among other things, a significant increase in costs and/or cost overruns, Trans Mountain Expansion Project delays, reduced support of the federal, provincial or municipal governments for the Trans Mountain Expansion Project, delays in, further challenges to, or the revocation of regulatory approvals, permits and/or Land Agreements, the need for additional regulatory processes, significant changes to the Trans Mountain Expansion Project plans or additional obligations and/or restrictions placed on Trans Mountain in respect of the Trans Mountain Expansion Project, any of which could materially impact the overall feasibility or economic benefits of the Trans Mountain Expansion Project which, in turn, could have a material adverse effect on the Trans Mountain Expansion Project and, consequently, the Business. In certain circumstances, these claims, if successful, could result in the total stoppage of the Trans Mountain Expansion Project, which stoppage would have a material adverse effect on the Business.

The Business has instituted policies to promote the achievement of participative and mutually beneficial relationships with the Aboriginal groups affected by the projects and operations of the Business, including the Trans Mountain Expansion Project, and is committed to working with such groups so they may realize benefits from its projects and operations. Notwithstanding the efforts to this end, the issues are complex and the impact of Aboriginal relations on operations and development initiatives is uncertain. There is no guarantee that the Business will be able to satisfy the concerns of the Aboriginal groups and attempting to address such concerns may require the Business to incur significant and unanticipated capital and operating expenditures. In addition, to the extent that the Business has entered into agreements with Aboriginal groups respecting the operations of the Business, including the Trans Mountain Expansion Project, future disagreements with Aboriginal groups could result in legal challenges by Aboriginal groups alleging breach of contract. If successful, such claims could require the Business to pay significant and/or unanticipated compensation or damages to one or more Aboriginal groups.

Non-Governmental Organizations Could Impact Projects and Operations

The development of the Trans Mountain Expansion Project, as well as other expansion projects, and operation of the Business generally will at times be subject to public opposition which could expose the Business to the risk of higher costs, delays or even project cancellations (including the Trans Mountain Expansion Project) due to increasing pressure on governments and regulators by special interest groups including Aboriginal groups, landowners, environmental interest groups (including those opposed to oil sands and other oil and gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, and delays in, challenges to, or the revocation of regulatory approvals, permits and/or Land Agreements. There is no guarantee that the Company or the Business will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Business to incur significant and unanticipated capital and operating expenditures.

Operational Risks

Commodity transportation and storage activities involve numerous risks that may result in accidents or otherwise adversely affect the operations of the Business. There are a variety of hazards and operating risks inherent in the transportation and storage of crude oil, refined petroleum products and other products, such as: leaks; releases; the breakdown or failure of equipment, pipelines and facilities (including as a result of internal or external corrosion, cracking, third party damage, material defects, operator error or outside forces), information systems or processes; the compromise of information and control systems; the performance of equipment at levels below those originally intended (whether due to misuse, ordinary course "wear and tear", unexpected degradation or design, construction or manufacturing defects); spills at terminals and hubs; spills associated with the loading and unloading of harmful substances onto rail cars; adverse sea conditions (including storms and rising sea levels) and releases or spills from vessels loaded at the Business' marine terminals; failure to maintain adequate supplies of spare parts; operator error; labour disputes/work stoppages; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third-party systems or refineries which may prevent the full utilization of assets; and catastrophic events including but not limited to natural disasters, fires, floods, explosions, earthquakes, acts of terrorists and saboteurs, cyber security breaches, and other similar events, many of which are beyond the control of the Company, the Business and Kinder Morgan. Some climatic models indicate that global warming may result in rising sea levels, increased intensity of weather, and increased frequency of extreme precipitation and flooding. To the extent these phenomena occur, they could damage physical assets, especially operations located near rivers, and facilities situated in rain susceptible regions. In addition, the Business may experience increased insurance premiums and deductibles, or a decrease in available coverage, for its assets in areas subject to severe weather. Further, given the natural hazards inherent with Business' operations, workers and contractors are subject to personal safety risks. The Business will also be exposed, from time to time, to other operational risks in addition to those set out above.

The occurrence or continuance of any of the risks set out above could result in serious injury and loss of human life, significant damage to property and natural resources, environmental pollution, significant reputational damage to the Company, the Business or Kinder Morgan, impairment or suspension of operations, fines or other regulatory penalties, and revocation of regulatory approvals or imposition of new requirements, any of which also could result in substantial financial losses. For pipeline and storage assets located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the level of damage resulting from these risks may be greater. In addition, the consequences of any operational incident (including as a result of adverse sea conditions) at the Business' marine terminals or involving a vessel receiving products from one of its marine terminals, may be even more significant as a result of the complexities involved in addressing leaks and releases occurring in the ocean or along coastlines and/or the repair of the Business' marine terminals. The Business does not own or operate, nor is it responsible for, vessels calling at the Westridge Marine Terminal or the Vancouver Wharves Terminal. Any leaks, releases or other incidents involving such vessels, or other similar operators along the West Coast, could result in significant curtailment of, or disruptions and/or delays in, offshore shipping activity in the affected areas, including the ability of the Business to effectively carry on operations at its marine terminals. The inability of the Business to facilitate the movement of its shippers' products to offshore markets, or a significant delay in such services, could have a material adverse effect on the Business.

Incidents that cause an interruption of service, such as when unrelated third party construction damages a pipeline or a newly completed expansion experiences a weld failure, may negatively impact the revenues and cash flows of the Business while the affected asset is temporarily out of service.

A service interruption due to a major power disruption or curtailment of commodity supply could have a significant impact on the ability of the Business to operate, and could negatively impact future earnings, relationships with stakeholders and the Company's or the Business' enterprise-wide reputation. Service interruptions that impact the Business' transportation services can negatively impact shippers' operations and earnings as they are dependent on the Business' services to move their product to market or fulfill their own contractual arrangements.

The Business is covered by an insurance program which is renewed annually and has $1 billion worth of financial capacity for spill events in accordance with the Pipeline Safety Act (see "*The Business — Regulatory Environment — Canadian Regulation*"). The insurance program includes coverage for commercial liability that is considered customary for the industry in which the Business operates and includes coverage for operational and environmental incidents. However, the Business' insurance program may not cover all operational risks and costs and/or may not provide sufficient coverage in the event a claim is made against the Business. Losses in excess of the insurance coverage for the Business could have a material adverse effect on the business, financial condition and results of operations of the Business. The total insurance coverage will be allocated among the Kinder Morgan Canada Group on an equitable basis in the event multiple insurable incidents exceeding Business' coverage limits within the same insurance period are experienced.

Commodity Supply and Demand Risks

The Business is dependent on the supply of and demand for the commodities that it handles. The Business' pipelines, terminals and other assets and facilities depend in large part on continued production of crude oil and other products in the geographic areas to which its pipelines, terminals and other facilities provide service, and the ability and willingness of shippers and other customers to supply such demand. Without additions to oil and gas reserves, production will decline over time as reserves are depleted, and production costs may rise. Producers may shut down production at lower product prices or higher production costs, especially where the existing cost of production exceeds other extraction methodologies. Producers in areas served by the Business may not be successful in exploring for and developing additional reserves, and the Business' pipelines and related facilities may not be able to maintain existing volumes of throughput. Commodity prices and tax allowance may not remain at levels that encourage producers to explore for and develop additional reserves, produce existing marginal reserves or renew transportation contracts as they expire. Changes in the business environment, an increase in production costs, supply disruptions, or higher development costs, could result in a slowing of supply to the pipelines, terminals and other assets of the Business. In addition, changes in the overall demand for hydrocarbons, the regulatory environment or applicable governmental policies (including in relation to climate change or other environmental concerns) may have a negative impact on the supply of crude oil and other products. In recent years, a number of initiatives and regulatory changes relating to reducing GHG emissions have been undertaken by federal, provincial, state and municipal governments and oil and gas industry participants (including, for example, the decarbonization targets set forth in the Paris Agreement). In addition, emerging technologies and public opinion has resulted in an increased demand for energy provided from renewable energy sources rather than fossil fuels. These factors could not only result in increased costs for producers of hydrocarbons but also an overall decrease in the global demand for hydrocarbons. Each of the foregoing could negatively impact the Business directly as well as the customers of the Business that are shipping through its pipelines or using its terminals, which in turn could negatively impact the prospects of new contracts for transportation or terminalling, renewals of existing contracts or the ability of the Business' customers and shippers to honour their contractual commitments. See "*— Customer Contracts and Impact of Financial Distress Experienced by Customers and Other Counterparties*" below.

The pipelines and transmission infrastructure assets of the Business are largely dependent on supply and demand for the crude oil and other products originating in the WCSB. The Company will continue to monitor any changes in the Business' customer's crude oil production plans and how these changes may impact the Business' existing assets and project schedules. There is significant competition for WCSB supply from several pipelines and rail terminals within the WCSB and significant competition from other pipelines and modes of transportation for the delivery of the diluent required by producers in the WCSB. An overall decrease in production and/or competing demand for supply could impact throughput on WCSB connected pipelines that, in turn, could negatively impact overall revenues generated. The WCSB has considerable reserves, but the amount actually produced depends on many variables, including commodity prices, basin-on-basin competition, pipeline tolls, demand for these products and the overall value of the reserves.

The Company cannot predict the impact of any of the risks set out above, all of which could reduce the production of and/or demand for crude oil, refined petroleum products and other hydrocarbons which in turn would reduce the demand for the pipeline and terminaling services provided by the Business.

Volatility in Economic and Market Conditions

The Company's operating results may be adversely affected by unfavorable economic and market conditions including, in particular, the volatility of commodity prices and overall demand for fossil fuels. Economic conditions worldwide have from time to time contributed to slowdowns in several industries, including the energy infrastructure industry, and in the specific segments and markets in which the Business operates, resulting in reduced demand and increased price competition for the products and services of the Business. The Company's operating results in one or more geographic regions also may be affected by uncertain or changing economic conditions within that region. Volatility in commodity prices or changes in markets for a given commodity might also have a negative impact on many of the customers of the Business, which in turn could have a negative impact on their ability to meet their obligations to the Business. Prices for crude oil are subject to large fluctuations in response to relatively minor changes in the supply and demand for crude oil, uncertainties within the market and a variety of other factors beyond the control of the Company and the Business. These factors include, among other things (i) weather conditions or significant weather-related events (including storms and rising sea levels on the West Coast of British Columbia or other environmental events potentially related to climate change); (ii) North American economic conditions; (iii) the activities of the Organization of Petroleum Exporting Countries; (iv) governmental regulation; (v) political changes in North American or political instability in the Middle East and elsewhere; (vi) the foreign supply of and demand for crude oil; (vii) the price of foreign imports; and (viii) the availability of alternative fuel sources. If global economic and market conditions (including volatility in commodity markets), or economic conditions in the WCSB or other key markets, remain uncertain or persist, spread or deteriorate further, the Business may experience material impacts on its business, financial condition and results of operations.

The Industry in Which the Business Operates is Highly Competitive

The Business faces significant competition from other pipelines and other forms of transportation in certain areas served by the Business as well as with respect to the supply for the Business' pipeline systems. Any current or future pipeline system or other form of transportation that delivers crude oil, refined petroleum products or other hydrocarbons into the areas that the Business' pipelines serve could offer transportation services that are more desirable to shippers than those currently provided by the Business because of price, location, facilities or other factors. To the extent that an excess of supply into these areas is created and persists, the ability of the Business to re-contract for expiring transportation capacity at favourable rates or otherwise to retain existing customers could be impaired. The Business also could experience competition for the supply of crude oil, refined petroleum products or other hydrocarbons from both existing and proposed pipeline systems. Several pipelines access the same areas of supply as the Business' pipeline systems and transport to destinations not served by the Business. See "*The Business*".

Customer Contracts and Impact of Financial Distress Experienced by Customers and Other Counterparties

The Operating Entities are parties to numerous contracts of varying durations in respect of the services provided by the Business. Certain of the contracts associated with the Business' services are comprised of a mixture of firm and non-firm commitments, varying tenures and varying renewal terms, among other differences. There can be no guarantee that, upon the expiry of the Business' contracts, the Business will be able to renew such contracts on terms as favourable to the Business, or at all. In particular, one of the current contractual arrangements, which accounts for a significant source of revenue at the Edmonton Rail Terminal, will expire in 2020. This contract is subject to a right of renewal on very favourable terms for the customer and, as a result, revenue from the Edmonton Rail Terminal is expected to decline following such renewal. Such a revenue decline could have a significant negative impact on the financial position of the Business.

Financial distress experienced by customers or other counterparties relevant to the Business could have an adverse impact in the event they are unable to pay the Business for the services it provides or otherwise fulfill their contractual obligations to the Business. The Business is exposed to the risk of loss in the event of non-performance by such customers or other counterparties. Some of these counterparties may be highly leveraged and subject to their own operating, market and regulatory risks, and some are experiencing, or may experience in the future, severe financial problems that have had or may have a significant impact on their creditworthiness. Further, while certain of the Business' customers are subsidiaries of an entity that has an investment grade credit rating, in many cases the parent entity has not guaranteed the obligations of the subsidiary and, therefore, there can be no assurance as to the impact of the parent credit ratings on such customers' ability to pay the Business for the services it provides or otherwise fulfill their obligations to the Business.

The Company cannot provide any assurance that such customers and key counterparties will not become financially distressed or that such financially distressed customers or counterparties will not default on their obligations to the Business or file for bankruptcy or creditor protection. If one of such customers or counterparties files for bankruptcy or creditor protection, the Business likely would be unable to collect all, or even a significant portion, of amounts owed to the Business. Significant customer and other counterparty defaults and bankruptcy filings could have a material adverse effect on the Business' business, financial position, results of operations or cash flows. Furthermore, in the case of financially distressed customers, such events might force such customers to reduce or curtail their future use of the Business' services, which could have a material adverse effect on the Company's results of operations, financial condition, and cash flows.

The Business Requires a Skilled Workforce

The operations and management of the Business require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals, and the loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Company's business plans for the Business. The Business competes with other companies in the energy infrastructure industry for this skilled workforce. In addition, many of the Business' current employees are retirement eligible and have significant institutional knowledge that must be transferred to other employees. If the Business is unable to (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with comparable knowledge and experience, the Business could be negatively impacted. In addition, the Business could experience increased allocated costs to retain and recruit these professionals, which costs will be borne by the Business.

General Regulatory Risks

New regulations, rulemaking and oversight, as well as changes in regulations, by regulatory agencies having jurisdiction over the Business' operations could adversely impact its earnings, cash flows and operations. The assets and operations of the Company and the Business are subject to regulation and oversight by federal, state, provincial and municipal regulatory authorities. Regulatory actions taken by these agencies have the potential to adversely affect the profitability of the Company and/or the Business. Regulation affects almost every part of the Business and extends to such matters as (i) the certification and construction of expansion projects and new facilities; (ii) tariff rates, operating terms and conditions of service; (iii) the types of services the Business may offer to its customers; (iv) the contracts for service entered into with customers; (v) the integrity, safety and security of facilities and operations; (vi) the acquisition of other businesses; (vii) the acquisition, extension, disposition or abandonment of services or facilities; (viii) reporting and information posting requirements; (ix) the maintenance of accounts and records; and (x) relationships with affiliated companies involved in various aspects of the oil and gas industry.

Should the Company or the Business fail to comply with any applicable statutes, rules, regulations, and orders of such regulatory authorities, the Company or the Business, as applicable, could be subject to substantial penalties and fines and potential revocation of permits, including with respect of the Trans Mountain Expansion Project. Furthermore, new laws or regulations sometimes arise from unexpected sources. New laws or regulations, or different interpretations of existing laws or regulations, including unexpected policy changes, applicable to the Company, the Business or the Trans Mountain Expansion Project could have a material adverse impact on the business, financial condition and results of operations of the Company and/or the Business.

Risks Relating to Environmental, Health and Safety Laws and Regulations

The operations of the Business are subject to federal, provincial and local laws, regulations and potential liabilities arising under or relating to the protection or preservation of the environment (including with respect to climate change), natural resources and human health and safety. Such laws, regulations and obligations affect many aspects of the Business' present and future operations, and generally require the Business to obtain and comply with various environmental registrations, licenses, permits, inspections and other approvals, including with respect to its expansion and new build projects. Liability under such laws and regulations may be incurred without regard to fault for the remediation of contaminated areas. Private parties, including the owners of properties through which the Business' pipelines pass, also may have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with such laws and regulations or for personal injury or property damage.

Failure to comply with these laws and regulations also may expose the Business to civil, criminal and administrative fines, penalties and/or interruptions in operations that could influence the business, financial position, results of operations or prospects of the Business. For example, if an accidental leak, release or spill of liquid petroleum products, chemicals or other hazardous substances occurs at or from the Business' pipelines or storage or other facilities, the Business may experience significant operational disruptions and the Business may have to pay a significant amount to clean up or otherwise respond to the leak, release or spill, pay government penalties, address natural resource damage, compensate for human exposure, property damage or economic loss, install costly pollution control equipment or undertake a combination of these and other measures. The resulting costs and liabilities could materially and negatively affect earnings and cash flows of the Business. In addition, emission controls required under provincial laws could require significant capital expenditures at the Business' facilities.

The Business owns and/or operates numerous properties and assets that have been used for many years in connection with its business activities. While the Company believes the Business has utilized operating, handling, and disposal practices that were consistent with industry practices at the time, hydrocarbons or other hazardous substances may have been released at or from properties owned, operated or used by the Business or its predecessors, or at or from properties where it or its predecessors' wastes have been taken for disposal. In addition, many of these properties and assets have been owned and/or operated by third parties whose management, operation, handling and disposal of hydrocarbons or other hazardous substances were not under the control of the Business or its predecessors. These properties and the hazardous substances released and wastes disposed on them may be subject to laws which impose joint and several liability, without regard to fault or the legality of the original conduct. In addition, the Business could be required to remove or remediate previously disposed wastes or property contamination, including contamination caused by prior owners or operators. Imposition of such liability schemes could have a material adverse impact on the Business' operations and financial position.

The Company cannot ensure that existing laws and regulations will not be revised or that new laws or regulations will not be adopted or become applicable to the Business. There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts currently anticipated. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have a material adverse effect on the Business' business, financial position, results of operations and prospects. In addition to revised or additional regulations affecting the Business' customers and/or shippers, including those related to the protection or preservation of the environment (including with respect to climate change), natural resources and human health or safety may have significant negative impacts on the business and operations of such customers and/or shippers that result in such customers and/or shippers defaulting on their contractual obligations to the Business (including with respect to take-or-pay obligations). The Business is exposed to the risk of loss in the event of non-performance by such customers and/or shippers, which could have a material adverse effect on the Business, and consequently, the Company. See "*— Customer Contracts and Impact of Financial Distress Experienced by Customers and Other Counterparties*" above.

An environmental incident could have lasting reputational impacts to the Company, the Business or Kinder Morgan and could impact their ability to work with various stakeholders. In addition to the cost of remediation activities (to the extent not covered by insurance), environmental incidents may lead to an increased cost of operating and insuring the assets of the Business, thereby negatively impacting earnings and distributable cash flow. See "*The Business — Regulatory Environment — Canadian Regulation — Climate Change and GHG Regulations*".

Although the Company has OMS and EMP programs in place, there remains a chance that an environmental incident could occur. Kinder Morgan also seeks to mitigate the severity of a potential environmental incident through continued process improvements and enhancements in leak detection processes and alarm analysis procedures. The Business has also invested significant resources to enhance its emergency response plans, operator training and landowner education programs to address potential environmental incidents. However, the mitigation efforts of the Business are incapable of guarding against all environmental risks, including in the event that there is significant damage to the Business' assets as a result of catastrophic events (including natural disasters, other significant weather-related events or adverse sea conditions) or the actions of third parties acting outside of the control of the Business.

The Business maintains an insurance program which is renewed annually and has $1 billion worth of financial capacity for spill events in accordance with the Pipeline Safety Act (see "*The Business — Regulatory Environment — Canadian Regulation*"). The insurance program includes coverage for commercial liability that is considered customary for the industry in which the Business operates and includes coverage for operational and environmental incidents. However, the Business' insurance program may not cover all environmental risks and costs and/or may not provide sufficient coverage in the event an environmental claim is made against the Business. The total insurance coverage will be allocated on an equitable basis among the members of the Kinder Morgan Canada Group in the event multiple insurable incidents exceeding Business' coverage limits within the same insurance period are experienced.

Pipeline Integrity Laws and Regulations

Increased regulatory requirements relating to the integrity of the Business' pipelines may require it to incur significant capital and operating expenditures to comply. The Business is subject to extensive laws and regulations related to pipeline integrity. The ultimate costs of compliance with the integrity management rules are difficult to predict. The majority of compliance costs relate to pipeline integrity testing and repairs. Technological advances in in-line inspection tools and identification of additional threats to a pipeline's integrity can have a significant impact on integrity testing and repair costs. The Business plans to continue its integrity testing programs in respect of its assets to assess and maintain the integrity of its existing and future pipelines as required by applicable laws, rules and regulations. The results of these tests could cause the Business to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to provide for the continued safe and reliable operation of these pipelines.

Further, additional laws and regulations that may be enacted in the future or a new interpretation of existing laws and regulations could significantly increase the amount of these expenditures. There can be no assurance as to the amount or timing of future expenditures for pipeline integrity regulation, and actual future expenditures may be different from the amounts currently anticipated. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not deemed by regulators to be fully recoverable from customers, could have a material adverse effect on the business, financial position, results of operations and prospects of the Business.

Terrorist Attacks and "Cyber Security" Risks

Terrorist attacks or "cyber security" events, or the threat of them, may adversely affect the Business. The Business' pipeline systems, terminals or operating systems may be targets for terrorist organizations or experience "cyber security" events. The infrastructure, applications and data of the Business are becoming more integrated, creating an increased risk that failure in one system could lead to a failure of another system. There is also increasing industry-wide cyber-attacking activity targeting industrial control systems and intellectual property. A successful cyber-attack could lead to unavailability, disruption or loss of key functionalities within the Business' control systems which could impact pipeline operations and potentially result in an environmental or public safety incident. A successful cyber-attack could also lead to a large scale data breach resulting in unauthorized disclosure, corruption or loss of sensitive information which could have lasting reputational impacts to the Company, the Business and Kinder Morgan, and could negatively impact their ability to work with various stakeholders.

The occurrence of one of these events could cause a substantial decrease in revenues and cash flows, increased costs to respond or other financial loss, damage to the Company's, the Business' or Kinder Morgan's reputation, increased regulation or litigation or inaccurate information reported from their operations. There is no assurance that adequate cyber sabotage and terrorism insurance will be available at rates that KMCI believes are reasonable in the near future. These developments may subject the Company's and Business' operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could have a material adverse effect on the business, results of operations and financial condition of the Business.

Abandonment Costs

The Business is responsible for compliance with all applicable laws and regulations regarding the abandonment of its pipeline systems and other assets at the end of their economic life, and these abandonment costs may be substantial. The proceeds of the disposition of certain assets, including in respect of certain pipeline systems and line fill, may be available to offset abandonment costs. While the Business estimates future abandonment costs and receives through tolls, future abandonment costs based on such estimates, actual abandonment costs may be higher than the amounts received through tolls. The Business may, in the future, determine it to be prudent or required by applicable laws or regulations to establish and fund additional reclamation trusts to provide for payment of the Business' future abandonment costs. Such reserves could decrease cash flow available for dividends to shareholders and to service obligations under any applicable debt obligations of the Business.

To date, the Business has complied with the NEB requirements on its NEB-regulated pipelines (the Trans Mountain pipeline system and the Canadian Cochin pipeline system) for the creation of abandonment trusts and has completed the compliance-based filings that are required under the applicable NEB rules and regulations regarding the abandonment of its NEB-regulated pipeline systems and assets. While the Business collects abandonment surcharges from its shippers and deposits such amounts in its abandonment trust for its NEB-regulated pipelines, there is a risk that abandonment costs and post-abandonment liabilities could exceed the amounts held in trust. Further, and unlike the Trans Mountain pipeline system and Canadian Cochin pipeline system, the Business does not maintain dedicated abandonment trusts for its Puget Sound pipeline system, Jet Fuel pipeline system or Terminals. Additional or unexpected expenditures incurred in respect of abandonment costs could decrease distributable cash flow available for dividends to shareholders and to service obligations under any applicable debt obligations of the Business.

Changes in Tax Laws and Reassessment Risks

Income tax returns filed by entities forming part of the Business remain subject to reassessment by applicable taxation authorities and it is possible that the taxation authorities could successfully challenge prior transactions and tax filings of such entities. In the event of a successful reassessment, the Company and/or the Business could be subject to higher than expected past or future income tax liability as well as, potentially, interest and/or penalties, which could result in a material reduction in distributable cash flow or cash available for dividends.

Income tax laws, including income tax laws applicable to the energy infrastructure industry, may in the future be changed or interpreted in a manner that adversely affects the Company and/or the Business. Furthermore, tax authorities having jurisdiction over the Company and/or the entities comprising the Business may disagree with how those entities calculate income for tax purposes or could change administrative practices to the detriment of those entities. A change in applicable tax laws, or the administrative interpretation thereof, in a manner adverse to the entities comprising the Business and/or the Company, could result in a material reduction in distributable cash flow or cash available for dividends.

Changes in Pipeline Tariff Rates May Have a Negative Impact

Regulatory bodies having jurisdiction over the Business may establish pipeline tariff rates or requirements that could have a negative impact on the Business. In addition, such regulatory bodies, or customers of the Business could file complaints challenging the tariff rates charged by the Business' pipelines, and a successful complaint could have an adverse impact on the Business and the Company. The profitability of the Business' regulated pipelines is influenced by fluctuations in costs and its ability to recover any increases in its costs in the rates charged to its shippers. To the extent that those costs increase in an amount greater than what the Business is permitted by the regulators to recover in its rates, or to the extent that there is a lag before the Business can file for and obtain rate increases, such events can have a negative impact upon the operating results of the Business.

Certain existing rates may also be challenged by complaint. Regulators and shippers on the Business' pipelines have rights to challenge the rates that are charged under certain circumstances prescribed by applicable regulations. The Business may face challenges to the rates charged on its pipelines. Any successful challenge to the Business' rates could materially adversely affect the Business' future earnings, distributable cash flow and financial condition.

Risks Relating to the Company's Relationship with Kinder Morgan

Kinder Morgan's Shareholdings and Conflicts of Interest with Kinder Morgan

Following closing of the Offering and completion of the Reorganization, Kinder Morgan, indirectly through its wholly-owned subsidiaries KMCC and KM Canada Terminals, will hold the controlling voting interests in the Company, including with respect to the right to vote for the election of directors to the Board of Directors. In addition, following closing of the Offering and completion of the Reorganization, the Company will be the sole shareholder of the General Partner and, as such, Kinder Morgan will indirectly, through controlling the Company's voting rights, have the ability to influence elections of the directors to the board of directors of the General Partner. In its capacity as general partner of the Limited Partnership — which will hold the Business — the General Partner will be authorized to manage, administer and operate the business and affairs of the Limited Partnership, to make all decisions regarding the business of the Limited Partnership and to bind the Limited Partnership in respect of any such decisions, subject to certain limitations contained in the Limited Partnership Agreement. As a result of the foregoing, Kinder Morgan will, indirectly through its controlling voting interest in the Company and corresponding ability to influence the elections of directors, have the ability to influence the management of the Business. See "*Directors and Executive Officers — Conflicts of Interests*", "*— Risks Relating to the Offering and the Restricted Voting Shares — Limitations on Voting Power of Holders of Restricted Voting Shares*" below.

The Company's relationship with Kinder Morgan, as the majority shareholder of the Company, does not impose any duty on Kinder Morgan or its affiliates to act in the best interest of the Business and, other than is set out in the Cooperation Agreement, Kinder Morgan is not prohibited from engaging in other business activities that may compete with those of the Business. The Company's ownership structure involves a number of relationships that may give rise to conflicts of interest between the Company, the Business and the holders of Restricted Voting Shares, on the one hand, and Kinder Morgan, on the other hand. In certain instances, the interests of Kinder Morgan may differ from the interests of the Company and its shareholders, including with respect to future acquisitions or strategic decisions involving the Business. It is possible that conflicts of interest may arise between the Company and Kinder Morgan or the Business and Kinder Morgan, and that such conflicts may not be resolved in a manner that is in the best interests of the Company or its shareholders. Additionally, Kinder Morgan and its affiliates will have access to material confidential information respecting the Company and the Business. Although some of these entities will be subject to confidentiality obligations pursuant to confidentiality agreements or pursuant to duties of confidence or applicable codes of conduct, neither the Services Agreement nor the Cooperation Agreement contain general confidentiality provisions. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan*".

Future Changes in Relationship with Kinder Morgan

The arrangements between the Company and Kinder Morgan do not require Kinder Morgan, either directly or indirectly, to maintain any ownership level in the Company or the Limited Partnership. Accordingly, Kinder Morgan may transfer all or a substantial portion of its interest in the Limited Partnership (together with the Special Voting Shares in the Company) to a third party, including in a merger or consolidation or sale of its Class B Units and Special Voting Shares, without the consent of the Company or its shareholders, but subject to compliance with applicable "coattail" provisions of the Limited Partnership Agreement and the Company's articles, market conditions, Kinder Morgan's requirements for capital or other circumstances that may arise in the future. The interests of a transferee of the Class B Units and Special Voting Shares may be different from Kinder Morgan's and may not align with those of other shareholders. The Company cannot predict with any certainty the effect that any such transfer would have on the trading price of the Restricted Voting Shares or the Company's ability to raise capital in the future. As a result, the future of the Company would be uncertain and the Company's business and financial condition may suffer.

Risks Relating to the Offering and the Restricted Voting Shares

Limitations on Voting Power of the Holders of Restricted Voting Shares

Each Restricted Voting Share and each Special Voting Share entitles the holder thereof to one vote per share held at all meetings of shareholders of the Company, except meetings at which or in respect of matters on which only the holders of another class of shares are entitled to vote separately as a class pursuant to applicable laws. Unless otherwise required by law, the holders of Restricted Voting Shares and Special Voting Shares will vote together as a single class. After giving effect to the Offering, holders of Restricted Voting Shares will be entitled to approximately 30% of the votes held by all shareholders of the Company and the holder of the Special Voting Shares will be entitled to approximately 70% of the votes held by all shareholders of the Company, in each case prior to any exercise of the Over-Allotment Option.

As a result, Kinder Morgan will have a controlling interest in the combined voting power of the Company Voting Shares, including with respect to the election of the Board of Directors. This level of ownership of Special Voting Shares indirectly by Kinder Morgan will limit the ability of holders of the Restricted Voting Shares to influence corporate and partnership matters for the foreseeable future, including the election of directors (both with respect to the Company and the General Partner) as well as with respect to decisions regarding the amendment of the Company's share capital or the Limited Partnership Agreement, creating and issuing additional Company Voting Shares or classes of shares or limited partnership units, making significant acquisitions, selling significant assets or parts of the Business, merging with other companies, significant joint ventures, the payment or non-payment of dividends or limited partnership distributions and undertaking other significant transactions. The market price of the Restricted Voting Shares could be adversely affected due to the significant voting power of Kinder Morgan. Additionally, the significant voting interest of Kinder Morgan may discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Restricted Voting Shares, might otherwise receive a premium for their Restricted Voting Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed or undertaken by Kinder Morgan. See "*Relationship with Kinder Morgan*" and "*Description of Share Capital and Partnership Units*".

Absence of Public Market for the Restricted Voting Shares

Prior to closing of the Offering, no public market for the Restricted Voting Shares shall have existed. An active and liquid market for the Restricted Voting Shares may not develop following closing of the Offering or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Restricted Voting Shares.

The offering price of the Restricted Voting Shares was determined by negotiation between Kinder Morgan and the Company, on the one hand, and TD Securities Inc. and RBC Dominion Securities Inc. on behalf of the Underwriters, on the other hand, and may not be indicative of the price at which the Restricted Voting Shares will trade following closing of the Offering. The market price of the Restricted Voting Shares may materially decline below the Offering price.

Negative Impact of Additional Sales or Issuances of Securities of the Company or the Limited Partnership

Subject to the provisions of the Limited Partnership Agreement, Kinder Morgan may sell its Special Voting Shares (together with the accompanying Class B Units in the Limited Partnership) from time to time and is not required to consider the potential negative impact of such sales on the trading price of the Restricted Voting Shares or the Company in general. Immediately upon completion of the Reorganization and closing of the Offering, Kinder Morgan, indirectly through its indirect wholly-owned subsidiaries, KMCC and KM Canada Terminals, will hold approximately 70% of the issued and outstanding Company Voting Shares (approximately 66% if the Over-Allotment Option is exercised in full).

The Board of Directors may issue an unlimited number of Restricted Voting Shares (or Special Voting Shares to the extent the General Partner issues additional Class B Units of the Limited Partnership) without any vote or action by the shareholders, subject to the rules of any stock exchange on which the Company's securities may be listed from time to time. The Company may make future acquisitions or enter into financings or other transactions involving the issuance of its securities. Additionally, the Company's articles of incorporation authorize the Board of Directors to issue an unlimited number of preferred shares, which are commonly known as "blank cheque" preferred shares and, therefore, the Board of Directors may designate and create the preferred shares as shares of any series and determine the respective rights and restrictions of any such shares. The rights of the holders of Restricted Voting Shares will be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be issued in the future. The issuance of preferred shares could delay, deter or prevent certain transactions and could adversely affect the voting power or economic value of the Restricted Voting Shares. Further, if the Company issues any additional equity or voting shares, the percentage ownership or voting power, as applicable, of existing shareholders will be reduced and diluted, which reduction and dilution may be significant, and the price of the Restricted Voting Shares could decline.

Similarly, the Limited Partnership Agreement authorizes the General Partner to cause the Limited Partnership to issue additional LP Units as well as any other type of security, including preferred units, that it determines to be necessary or advisable. As with the Company, the Limited Partnership may make future acquisitions or enter into financings or other transactions involving the issuance of its securities, including LP Units or preferred units. In the event that the Limited Partnership were to issue preferred units, the rights associated with the Class A Units held indirectly by the Company will be subject to, and may be adversely affected by, the rights associated with such preferred units. Additionally, an issuance of additional securities by the Limited Partnership, including preferred units, may dilute the Company's interest in the Limited Partnership and/or reduce the amounts available for distribution by the Limited Partnership to the Company as an indirect holder of Class A Units. See "*— Cash Dividend Payments are Not Guaranteed*" below.

The Business is currently undertaking significant projects, including the Trans Mountain Expansion Project, which will require considerable amounts of capital. The Credit Facility, a significant source of funding for the Trans Mountain Expansion Project, is expected to require that the Business maintain an overall balance of debt and equity capital of 70% and 30%, and with respect to capital expenditures on the Trans Mountain Expansion Project, a balance of debt and equity capital of 60% and 40%. See "*Description of Indebtedness — Credit*

Facility". The Company expects to issue additional equity over the course of the Trans Mountain Expansion Project in order to comply with these requirements under the Credit Facility.

In the event that the Business is unable to access debt or other external financing sources to fund the completion of such projects or such projects experience significant cost increases and/or cost overruns or delays, the Company may be required to issue additional equity or voting shares, or the Limited Partnership may be required to issue additional units, to raise funds that are required to continue operating the Business or complete its projects. Additionally, if the Trans Mountain Expansion Project is over budget and/or delayed and the value of the Business becomes depressed, issuances of the Company securities, including preferred shares, or issuances of securities of the Limited Partnership, including preferred units, to fund the Trans Mountain Expansion Project, could be pursued at prices reflecting such depressed value, increasing the dilutive impact on the existing Restricted Voting Shares and/or the indirect interest of the Company in the Limited Partnership. See also "*— Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — The Company and/or the Business Will Require Access to External Capital*" above.

Cash Dividend Payments are Not Guaranteed

The payment of dividends under the Company's expected dividend policy is not guaranteed and amounts of such dividends could fluctuate with the performance of the Business. The Board of Directors has the discretion to determine the amount of dividends, if any, to be declared and paid to shareholders. The Company may alter its dividend policy at any time and the payment of dividends will depend on distributions from the Limited Partnership, as determined in the discretion of the General Partner, which distributions may be affected by, among other things, changes in: commodity prices; the financial condition of the Business; current and expected future levels of earnings; capital and liquidity requirements; market opportunities; income taxes; debt repayments; legal and regulatory requirements, including the solvency requirements of the ABCA; contractual constraints; tax laws; and other relevant factors (including the Trans Mountain Expansion Project being over budget, delayed or stopped). There can be no guarantee as to the amount of distributions from the General Partner and any number of factors could cause the General Partner to revise its policies and/or strategies respecting distributions. Certain terms of the Credit Facility may prevent or restrict the ability of the Company to pay dividends or the Limited Partnership to pay distributions. See "*Description of Indebtedness — Credit Facility*".

Over time, the capital and other cash needs of the Company and the Business may change significantly from their current needs, which could affect whether the Company pays dividends and the amount of dividends, if any, it may pay in the future. If the Business experiences a significant downturn, the currently anticipated level of distributions by the Limited Partnership (and funding for Company dividends) could leave the Business with insufficient cash to finance growth opportunities, meet any large unanticipated liquidity requirements or fund its activities. The Board of Directors may amend, revoke or suspend the Company's dividend policy at any time in response to such circumstances or for other reasons. A decline in the market price or liquidity, or both, of the Restricted Voting Shares could result if the Company reduces or eliminates the payment of dividends, which could result in losses to shareholders.

Volatility in Market Price of Restricted Voting Shares

The market price for Restricted Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: (i) delays or difficulties experienced during construction or the completion of the Trans Mountain Expansion Project or the total stoppage of the Trans Mountain Expansion Project; (ii) anticipated fluctuations in the financial results of the Business (and consequently the Company); (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other companies that investors deem comparable to the Company, the Business or Kinder Morgan; (v) the loss or resignation of directors, officers and other key personnel of the Company or the Business; (vi) sales or anticipated sales of additional Restricted Voting Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Business or its competitors where the Business does not realize the anticipated benefits from such transaction; (viii) trends, concerns, technological or competitive developments, regulatory changes and other related issues in the energy infrastructure industry; and (ix) actual or anticipated fluctuations in interest rates.

Financial markets have experienced significant price and volume fluctuations in recent years that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Restricted Voting Shares may decline even if the Business' operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses. Certain institutional investors may base their investment decisions on consideration of the Business' environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Restricted Voting Shares by those institutions, which could adversely affect the trading price of the Restricted Voting Shares.

Foreign Exchange Risk on Dividends

The Company's cash dividends will be declared in Canadian dollars. As a consequence, non-resident shareholders, and shareholders who calculate their return in currencies other than the Canadian dollar, will be subject to foreign exchange risk. To the extent that the Canadian dollar strengthens with respect to their currency, the amount of the dividend will be reduced when converted to their home currency.

THE COMPANY AND THE LIMITED PARTNERSHIP

Formation of the Company and the Limited Partnership

The Company was incorporated under the ABCA on April 7, 2017. On May 24, 2017, the Company amended its articles to, among other things, add "coattail" provisions restricting the transfer of Special Voting Shares in certain circumstances. See "*Description of Share Capital and Partnership Units — Take-over Bid Protection — Coattail Arrangements*".

The Limited Partnership will be formed under the laws of the Province of Alberta, and the General Partner will be incorporated under the ABCA, prior to closing of the Offering. See "*Description of Share Capital and Partnership Units — The Limited Partnership*" and "*Description of Share Capital and Partnership Units — The General Partner*".

The head office of each of the Company, the Limited Partnership and the General Partner is or will be located at Suite 2700, 300 – 5th Avenue S.W., Calgary, Alberta T2G 4Y5 and the registered office of each of the Company, the Limited Partnership and the General Partner is or will be located at Suite 3500, 855 – 2nd Street S.W., Calgary, Alberta T2P 4J8.

The Reorganization and the Offering

Prior to closing of the Offering, the Limited Partnership will acquire the Business from KMCC and KM Canada Terminals in exchange for the issuance to KMCC and KM Canada Terminals of Class B Units of the Limited Partnership and the Acquisition Notes (and, KMCC and KM Canada Terminals will be issued Special Voting Shares for nominal consideration).

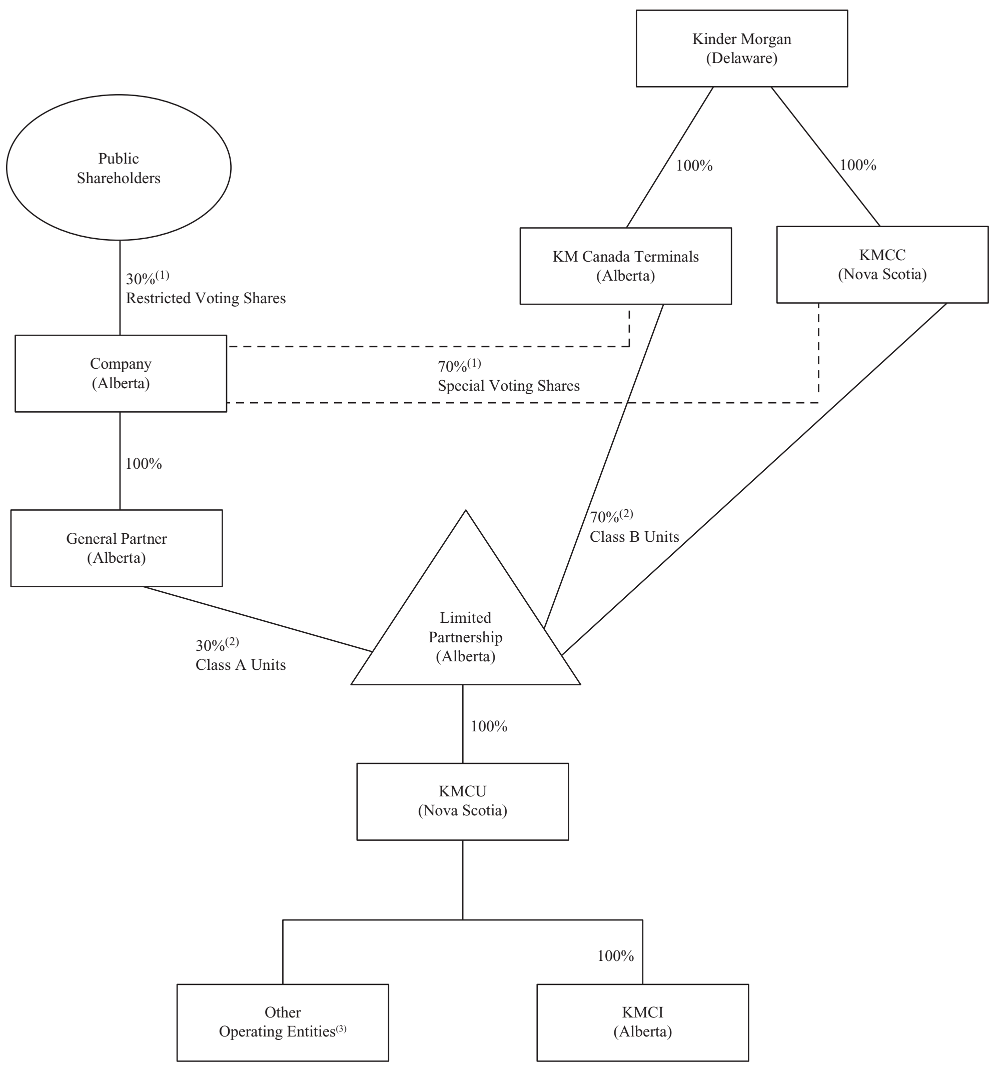
Immediately following closing of the Offering, the Company will use the proceeds from the Offering to indirectly subscribe for Class A Units representing an approximate 30% interest in the Limited Partnership, following which the Class B Units held by KMCC and KM Canada Terminals will represent, in the aggregate, an approximate 70% interest in the Limited Partnership (approximately 34% and 66% if the Over-Allotment Option is exercised in full).

Upon completion of the transactions described above, purchasers under the Offering will hold 100% of the issued and outstanding Restricted Voting Shares, comprising approximately 30% of the votes attached to all outstanding Company Voting Shares, and Kinder Morgan will indirectly own 100% of the Special Voting Shares, comprising approximately 70% of the votes attached to all outstanding Company Voting Shares, in each case prior to any exercise of the Over-Allotment Option.

For a description of the Business, see "*The Business*" and for a description of the material terms of the Reorganization, see "*Relationship with Kinder Morgan — The Reorganization and the Offering*".

Intercorporate Relationships

The Limited Partnership will, directly and indirectly, own the Business. The Business is conducted through the Operating Entities. Following completion of the Reorganization and closing of the Offering, the intercorporate relationships of the Company, the Limited Partnership and their material subsidiaries, partnerships and joint ventures will be as follows:



Notes:

(1) Approximate percentages are based on ownership of total outstanding Company Voting Shares. KMCC and KM Canada Terminals ownership levels are presented on a combined basis. Assumes no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, Kinder Morgan, indirectly through KMCC and KM Canada Terminals, will hold 226,616,700 Special Voting Shares (approximately 66% of the total issued and outstanding Company Voting Shares), with public shareholders collectively holding 118,383,300 Restricted Voting Shares (approximately 70% of the total issued and outstanding Company Voting Shares).

(2) Approximate percentages are based on ownership of total outstanding LP Units. KMCC and KM Canada Terminals ownership levels are presented on a combined basis. Assumes no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, Kinder Morgan will, indirectly through KMCC and KM Canada Terminals, hold an approximate 66% interest in the Limited Partnership and the Company will, indirectly through the General Partner, hold an approximate 34% interest in the Limited Partnership.

(3) Other Operating Entities include: KM Canada Marine Terminal (B.C.), KM Canada North 40 (Manitoba), KM Canada Rail (Alberta), TM Pipeline L.P. (Alberta), TM Jet Fuel (B.C.), TM Puget Sound (Delaware) and Trans Mountain (Alberta) each of which, following the closing of the Offering, will be directly or indirectly owned 100% by the Limited Partnership. The Edmonton Rail Terminal, the Alberta Crude Terminal and the Base Line Terminal are joint venture operations run through affiliates of KM Canada North 40, Kinder Morgan Canada Edmonton South Rail Terminal Limited Partnership, Kinder Morgan Canada Edmonton North Rail Terminal Limited Partnership and Base Line Terminal East Limited Partnership, respectively. The Limited Partnership holds an indirect 50% interest in each of these joint ventures.

(4) Any remaining subsidiary or partnership not shown in the chart or referenced in Note 3 above accounted for (i) less than 10% of the consolidated assets of the Business as at December 31, 2016, and (ii) less than 10% of the consolidated operating revenues of the Business for the fiscal year ended December 31, 2016. In aggregate, the remaining subsidiaries or partnerships not shown in the chart or referenced in Note 3 above as at December 31, 2016, accounted for less than 20% of each of (i) and (ii) described above when considered in the aggregate.

Services Agreement

In connection with the Offering, KMCI, the Company, the General Partner and the Limited Partnership will enter into the Services Agreement pursuant to which KMCI, an Alberta corporation which is an indirect subsidiary of the Company, will provide certain operational and administrative services in connection with the management of the business and affairs of the Kinder Morgan Canada Group, or where requested, will coordinate on behalf of entities in the Kinder Morgan Canada Group to procure assistance and/or support in providing such services from its affiliates. KMCI's activities under the Services Agreement will be subject to the supervision of the executive officers of the Company and the Board of Directors.

The operational and administrative services to be provided by KMCI to the Company, the General Partner and the Limited Partnership under the Services Agreement will include, but will not be limited to, certain services to: (i) enable the Company to comply with its continuous disclosure and other obligations under applicable laws; (ii) coordinate financing and investing activities of the Business, including through the Company, the General Partner, the Limited Partnership or other entities in the Kinder Morgan Canada Group; (iii) assist with development, implementation and monitoring of operational plans for the Company and the Business; (iv) assist in implementing any dividend or distribution reinvestment plans, and any incentive plans of the Company and the Limited Partnership, as applicable; (v) facilitate performance of required acts and responsibilities in connection with the acquisition and disposition of assets and property by entities in the Kinder Morgan Canada Group; (vi) provide accounting and bookkeeping services, including for the preparation of the annual and interim financial statements of the Company and the preparation and filing of all tax returns; and (vii) arrange for audit, legal and other third party professional and non-professional services. Any support and/or assistance with any services provided by an affiliate of KMCI outside of the Kinder Morgan Canada Group will be reimbursed at cost, unless otherwise required by applicable laws.

The Services Agreement shall continue in effect until terminated by mutual agreement of the parties. The Services Agreement may be amended from time to time by the parties, provided that if any amendment constitutes, or could reasonably be expected to constitute, a conflict of interest or potential conflict of interest between the Kinder Morgan Canada Group and the Kinder Morgan Group, subject to applicable law, such amendment must be approved on behalf of the Company or the General Partner by both the Board of Directors and the board of directors of the General Partner, as applicable, as a whole, and the independent directors not affiliated with the Kinder Morgan Group.

The foregoing description is a summary of all material terms of the Services Agreement. The full text of the Services Agreement will be available under the Company's SEDAR profile at www.sedar.com.

THE BUSINESS

Unless otherwise noted or the context otherwise requires, the disclosure in this prospectus is presented on the basis that the entirety of the Business (comprising the Pipelines and Terminals business segments) are and have been, for all relevant periods, under common management and ownership. ***In reviewing the information set forth herein regarding the Business, investors should note that following the closing of the Offering and completion of the Reorganization, the Company will hold an approximate 30% interest in the Business.***

The key strategy of the Business is to:

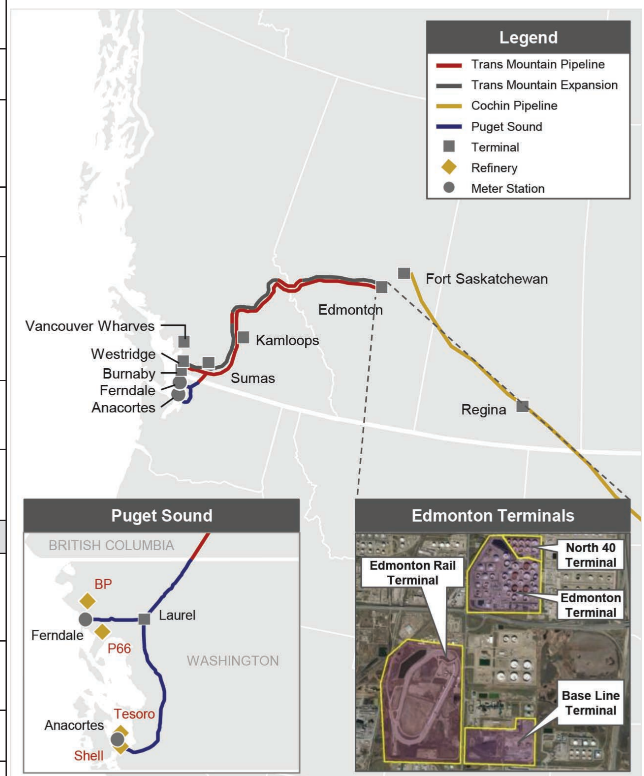
- focus on stable, fee-based energy transportation and storage assets that are central to the energy infrastructure of Western Canada;
- increase utilization of its existing assets while controlling costs, operating safely, and employing environmentally sound operating practices;
- leverage economies of scale from incremental acquisitions and expansions of assets that fit within its strategy and are accretive to cash flow; and
- maintain a strong balance sheet and maximize value for its investors.

To achieve these objectives, the Business focuses on providing fee-based services to customers from an asset portfolio consisting of energy-related pipelines and liquid and bulk terminalling facilities. The two business segments comprising the Business are: (a) Pipelines, which is comprised of the TMPL system including the Westridge Marine Terminal and other related terminalling assets, the Puget Sound pipeline system and the Jet Fuel pipeline system, as described below under "— *Trans Mountain Pipeline System, Terminals and Related Pipelines*" and the Canadian Cochin pipeline system, as described below under "— *Cochin Pipeline System*"; and (b) Terminals, which is comprised of the Vancouver Wharves Terminal and the Terminals located in the Edmonton, Alberta area, as described below under "— *Terminals*".

Overview

Overview of Assets		
Pipelines		
Asset	**Capacity**	
Trans Mountain Pipeline System	~300 MBbl/d	▪ Only pipeline in Canada transporting crude oil and refined products to the West Coast
Trans Mountain Expansion Project	~890 MBbl/d (~590 incr.)	▪ Expected in-service end of 2019 with total capital cost currently estimated to be ~$7.4 billion[(1)]
Puget Sound Pipeline System	~240 MBbl/d	▪ Ships from the Sumas Terminal to Washington State refineries via TMPL
Edmonton Terminal	~8,000 MBbl (storage)	▪ 35 tanks in total, majority serving TMPL regulated service ▪ 15 of 35 tanks leased to Terminals business (unregulated entity)[(2)]
Westridge Marine Terminal	395 MBbl (storage)	▪ Liquids export / import terminal in Burnaby, which can accommodate Aframax sized tankers
Kamloops / Sumas / Burnaby Terminals	2,560 MBbl (total storage)	▪ Kamloops: 2 tanks serving TMPL (160 MBbl) ▪ Sumas: 6 tanks all serving TMPL (715 MBbl) ▪ Burnaby: 13 tanks serving TMPL (1,685 MBbl)
Jet Fuel Pipeline System[(3)]	45 MBbl (storage)	▪ Transports jet fuel from refinery in Burnaby and the Westridge Marine Terminal to Vancouver International Airport
Canadian Cochin Pipeline System[(4)]	~110 MBbl/d	▪ Transports condensate from the Canada/U.S. border near Maxbass, North Dakota to Fort Saskatchewan, Alberta
Terminals		
Edmonton South Terminal	5,100 MBbl (storage)	▪ 15 tanks currently leased from Trans Mountain[(2)] ▪ Tanks sub-leased to third parties in unregulated service (merchant tanks)
Edmonton Rail Terminal	210 MBbl/d (capacity)	▪ Operated 50/50 joint venture with Imperial Oil (largest origination crude-by-rail terminal in North America)
Alberta Crude Terminal	40 MBbl/d (capacity)	▪ Non-operated 50/50 joint venture with Keyera (fully contracted)
Vancouver Wharves Terminal	4.0 mmtpa bulk + 1,500 MBbl p.a,	▪ Bulk commodity marine terminal provides handling, storage, loading and unloading services
North 40 Terminal	2,150 MBbl (storage)	▪ Merchant crude oil storage and blending services
Base Line Terminal	4,800 MBbl (storage)	▪ 50/50 operated joint venture with Keyera (12 tanks planned to be in service throughout 2018)

Overview Map of Business



Notes:

(1) Includes capitalized financing costs.

(2) The Company currently expects that two of the 15 merchant tanks comprising the Edmonton South Terminal will be recalled by Trans Mountain upon the completion of the Trans Mountain Expansion Project for use in TMPL regulated service. See "*The Business — Terminals — Overview of Terminals — Edmonton South Terminal*".

(3) The Jet Fuel pipeline system has a BCUC-approved negotiated settlement that ends in 2018.

(4) Canadian Cochin pipeline system is part of the Cochin pipeline system which transports condensate from Kankakee County, Illinois to Fort Saskatchewan, Alberta. Capacity on the U.S. portion of Cochin pipeline system, which will not be owned by the Business, is approximately 95 MBbl/d.

Investment Highlights

The Company believes that an investment in the Business (indirectly through the purchase of Restricted Voting Shares) provides investors with exposure to a unique combination of energy infrastructure business opportunities. The information set out below includes a number of forward-looking statements that reflect the

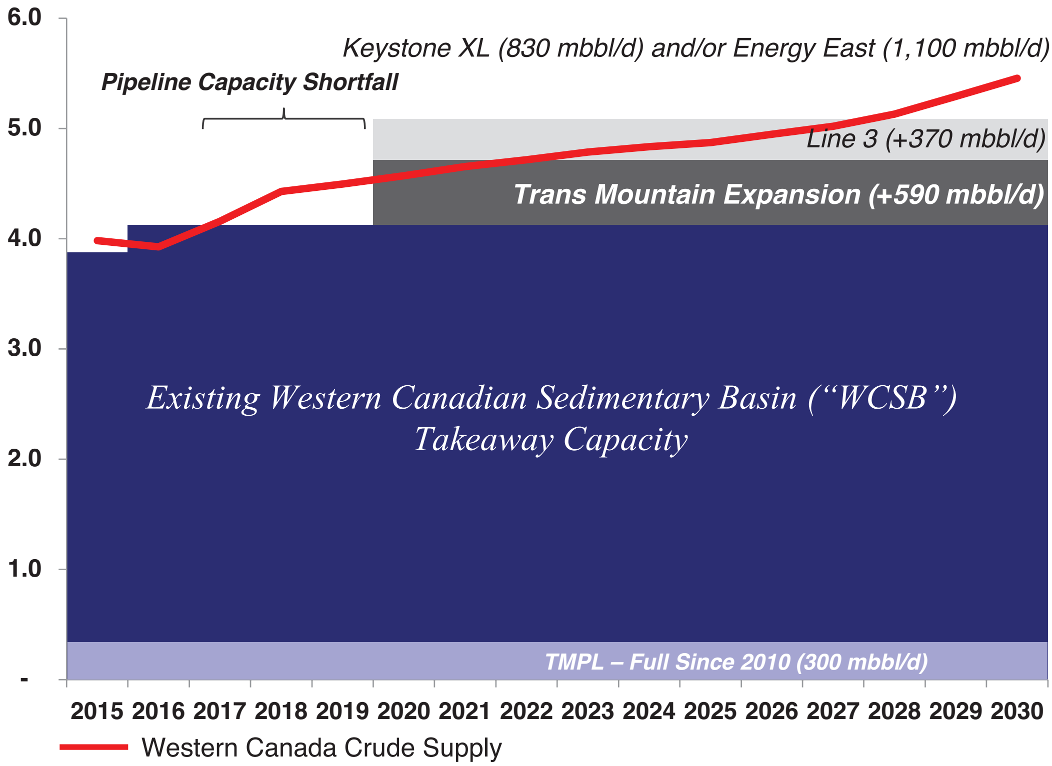
Company's anticipated results. Such forward-looking statements are expressly qualified by the cautionary statement under the heading "*Notice to Investors — Forward-Looking Statements*".

Portfolio of strategically located energy infrastructure assets, including Canada's only liquids pipeline system connected to the West Coast

The Business is comprised of a portfolio of strategic energy infrastructure assets across Western Canada. For over 60 years, the Trans Mountain pipeline system has been the only Canadian crude oil and refined products export pipeline with North American West Coast tidewater access (specifically, British Columbia and Washington State). Current transportation capacity on the TMPL is approximately 300,000 barrels per day (based on throughput of 80% light oil and refined products and 20% heavy oil), and it is connected to 20 incoming pipelines near Edmonton, Alberta, one of North America's most significant energy hubs. In Alberta, the Business has one of the largest integrated networks of crude tank storage and rail terminals in Western Canada and the largest merchant terminal storage facility in the Edmonton market. The Business also operates the largest origination crude by rail loading facility in North America. In British Columbia, the Business controls the largest mineral concentrate export/import facility on the west coast of North America through its Vancouver Wharves Terminal, transferring over four million tons of bulk cargo and 1.5 million barrels of liquids annually. In Washington State, the Business ships crude oil from the Sumas Terminal for delivery to the BP plc, Phillips 66, Shell Oil Products U.S. and Tesoro Corporation refineries in Anacortes and Ferndale. The Business also owns the Canadian Cochin pipeline system, which forms part of the Cochin pipeline system transporting light condensate to Fort Saskatchewan, Alberta, traversing two provinces in Canada and four states in the United States. These assets form a core part of Kinder Morgan's business and would not otherwise be available to the public as a stand-alone consolidated investment opportunity but for the desire of Kinder Morgan to secure an appropriate mix of financing for the Trans Mountain Expansion Project.

Canadian crude production forecasts suggest a shortage in pipeline takeaway capacity through 2020, largely driven by oil sands growth (Source: CAPP 2016 Crude Oil Forecast, Markets and Transportation, 2016-0007). As the only pipeline offering shippers West Coast access for the foreseeable future, the TMPL system is uniquely positioned to benefit from these egress challenges. The anticipated toll range on the TMPL, as may be expanded by the Trans Mountain Expansion Project, compares favourably to the transportation costs for rail transportation out of the region and for alternative pipelines shipping crude oil to the U.S. Gulf Coast.

WCSB Crude Supply vs Capacity



Notes:

(1) WCSB crude supply information sourced from CAPP 2016 Crude Oil Forecast, Markets and Transportation 2016-0007.

(2) 2020 Trans Mountain Expansion Project expected tolls of $5 to $7 per barrel or approximately U.S.$4 to $6 per barrel (based on Edmonton receipt point and various delivery points) compared to rail costs of U.S.$18 per barrel to the U.S. Gulf Coast and U.S.$16 per barrel to Los Angeles, California (rail cost estimates sourced from Environment and Climate Change Canada estimate assuming volumes are moved on a 100 tanker car unit train (November 2016 http://ceaa-acee.gc.ca/050/documents/p80061/116524E.pdf)).

(3) 2020 Trans Mountain Expansion Project expected tolls of $5 to $7 per barrel or approximately U.S.$4 to $6 per barrel (based on Edmonton receipt point and various delivery points) compared to expected heavy oil pipeline tolls of approximately U.S.$7.80 to U.S.$12.60 per barrel on the Keystone/Gulf Coast Extension.

(4) Graph is for illustrative purposes only and is not intended to be a prediction of utilization of the pipelines depicted during the years shown.

Crude production growth is also anticipated to have positive implications for the Business' rail terminal, tank storage and Canadian Cochin pipeline businesses. The Company's strategically located merchant tankage storage assets are well positioned to be a preferred storage and blending services provider, with its rail terminals offering significant marketing optionality. Further, the Business' Canadian Cochin pipeline system provides diluent to oil sands producers, enabling them to decrease the viscosity of their bitumen to pipeline specification to allow the transportation of heavy crude to market. Anticipated bitumen production growth in Canada is expected to provide for stable and growing demand for condensate imports (Source: CAPP 2016 Crude Oil Forecast, Markets and Transportation 2016-0007), and, as a result, the Canadian Cochin pipeline system, which transports condensate from the United States to Fort Saskatchewan, Alberta is expected to continue to provide a steady source of revenue for the Business in the coming years.

Given the challenges faced by the energy sector looking to construct major infrastructure projects, particularly in environmentally sensitive regions, the asset base of the Business has many unique attributes that offer significant, sustainable competitive advantages that the Company believes would be challenging for competitors to replicate over the near to mid-term. Trans Mountain provides shippers the ability to sell their crude oil and refined products to global markets, including to the steadily growing demand out of Asia. The Puget Sound pipeline supplies much-needed feedstock to refineries in the state of Washington in order to offset steadily declining Alaskan oil supplies.

Strategic sponsorship with aligned industry-leading operator

With a total enterprise value of approximately U.S.$90 billion, Kinder Morgan is one of the largest energy infrastructure companies in North America and the largest independent transporter of petroleum products in North America, currently transporting approximately 2.1 million barrels per day. Kinder Morgan is also the largest independent terminal operator in North America, owning or operating approximately 155 terminals with approximately 152 million barrels of liquids capacity, handling approximately 53 million tons of dry bulk products and owning 16 Jones Act shipping vessels (including three under construction). It has the largest natural gas pipeline network in North America, owning or operating approximately 70,000 miles of natural gas pipeline, and is connected to every important natural gas resource play in the United States. It is also the largest transporter of carbon dioxide in North America, transporting approximately 1.3 billion cubic feet per day. Kinder Morgan has investment grade credit ratings with substantial resources and a world-class asset portfolio.

Kinder Morgan's corporate culture of operational excellence and commitment to safety has laid the foundation for a strong, sustainable business in Canada. Operational performance, maintenance activities and incident investigations are reviewed regularly by Kinder Morgan including monthly relative performance reports posted on its public website. The Business has an industry-leading operating track record, with significantly fewer pipeline releases than the industry average. The Business has had no reportable right of way releases since 2013. The Business had a significant pipeline release approximately ten years ago, which involved a contractor working for a third party striking the pipeline. See "*The Business — Operations Management of the Business*".

Reportable Releases on Right of Way(4)

	LTM(1)	3 Year Avg(2)	LTM(1)	3 Year Avg
	# / billion barrel miles		barrels / billion barrel miles	
Kinder Morgan (U.S.)	0.002	0.005	0.047	4.625
Kinder Morgan (CAD)	0.000	0.000	0.000	0.000
Industry(3)	0.015	0.018	15.260	14.0999

Notes:

(1) "LTM" refers to the last 12-month rolling average as at March 31, 2017.

(2) Three year average based on 2014 - 2016 results.

(3) 2013 - 2015 U.S. Pipeline and Hazardous Materials Safety Administration data — https://phmsa.dot.gov/portal/site/PHMSA/menuitem.6f23687cf7b00b0f22e4c6962d9c8789/?vgnextoid=fdd2dfa122a1d110VgnVCM1000009ed07898RCRD&vgnextchannel=3430fb649a2dc110VgnVCM1000009ed07898RCRD&vgnextfmt=print and https://phmsa.dot.gov/pipeline/library/data-stats/distribution-transmission-and-gathering-lng-and-liquid-annual-data.

(4) Reportable releases are based on the U.S. Pipeline and Hazardous Materials Safety Administration definition that include failures involving onshore pipelines that occurred on the right of way, including valve sites, in which there is a release of the liquid transported resulting in any of the following: (a) explosion or fire not intentionally set by the operator; (b) release of 5 barrels or greater; (c) death of any person; (d) personal injury necessitating hospitalization; and (e) estimated property damage, including cost of clean-up and recovery, value of lost product, and damage to the property of the operator or others, or both, exceeding U.S.$50,000.

Liquids Pipelines Release Rate

Kinder Morgan has advised the Company that it intends to be a long-term shareholder in the Business. It is anticipated that Kinder Morgan will own an approximate 70% interest (an approximate 66% interest if the Over-Allotment Option is exercised in full) in the Business following closing of the Offering.

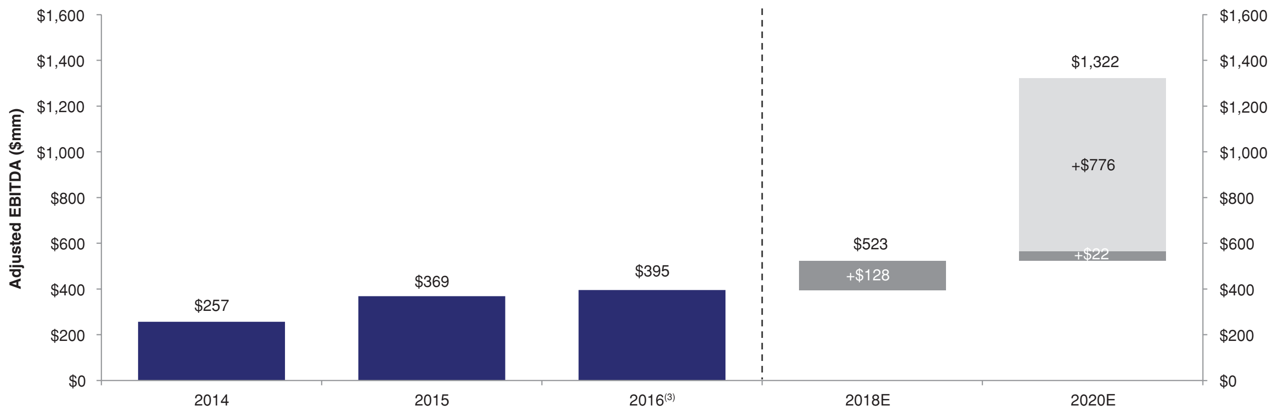
Sizeable growth project of strategic national importance to Canada

At an estimated total capital cost of approximately $7.4 billion (including capitalized financing costs), upon completion, the Trans Mountain Expansion Project will provide western Canadian crude oil producers with an additional 590,000 barrels per day of shipping capacity and tidewater access to the western United States (most notably Washington, California and Hawaii) and global markets (most notably Asia). Over 70% of Canadian crude products are currently exported to U.S. markets, with the majority of the remaining products being consumed domestically (Source: CAPP 2016 Forecast, Markets and Transportation 2016-0007). This dependence on a single market, combined with the cost and limited availability of transportation options, has resulted in Canadian crude products producers receiving a material discount to global benchmark prices on the sale of similar quality products (Source: CAPP 2016 Crude Oil Forecast, Markets and Transportation 2016-0007).

Capacity on the Trans Mountain pipeline system has been over-subscribed since 2010 and, upon completion of the Trans Mountain Expansion Project, approximately 80% of the total capacity (the maximum amount under the regulated limit imposed by the NEB) will be contracted under long-term firm commitments (the majority having a 20-year term). The full amount of this contracted capacity was recommitted in March 2017, demonstrating the strong market demand for this take-away capacity. Similarly, throughput on the Puget Sound pipeline system has steadily risen in recent years, with 2015 and 2016 experiencing increases from previous years of over 15% and 30%, respectively. Based on the foregoing, the Company believes that Canadian producers will benefit from additional pipeline capacity, especially capacity built to increase access to global markets via access to tidewater. Construction of the Trans Mountain Expansion Project is expected to begin in September 2017 with a target in-service date of December 2019. Completion of the Trans Mountain Expansion Project would result in two active pipelines: Line 1 is expected to have a capacity of 350,000 barrels per day, based on an assumed slate of light crude oils and refined products. Line 1 is expected to also be capable of transporting heavy crude oil at a reduced capacity. Line 2 will have a capacity of 540,000 barrels per day, based on an assumed slate of heavy crude oils. Line 2 is expected to also be capable of transporting light crude oils, if necessary. Line 1 and Line 2 combined are expected to be able to provide batched transportation service for a variety of crude oil types and products, with a combined capacity of 890,000 barrels per day. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*".

As illustrated in the table below, in 2018, the construction of the Trans Mountain Expansion Project is expected to add approximately $106 million of incremental Adjusted EBITDA associated with capitalized equity financing costs to the annual Adjusted EBITDA of the Business. In its first full fiscal year of operations following the completion of the Trans Mountain Expansion Project, currently anticipated to be 2020, the expansion is expected to result in a net increase to the Business' annual Adjusted EBITDA of more than $900 million based solely on 707,500 barrels per day of contracted volumes and associated tolls and associated operating costs. Of this 707,500 barrels per day of contracted capacity, 658,000 barrels per day are contracted under a 20-year term and 49,500 barrels per day are contracted under a 15-year term. Excluded from this estimate is any value for the 182,500 barrels per day (or approximately 20% of total capacity) that will be available for spot shippers at a rate that is equal to a 10% premium on the 15-year contract rate, with the 15-year contract rate being higher than the 20-year contract rate. The incremental Adjusted EBITDA estimates provided in this prospectus are based on a number of important assumptions including, without limitation, that (a) both the Trans Mountain Expansion Project and the Base Line Terminal will be completed on time and on budget; and (b) upon being placed in service, such assets will operate and generate revenue in accordance with current expectations, including with respect to the currently forecasted utilization driven by contracted volumes, associated approved tolls and estimated operating costs. Estimated operating costs are based on the Business' historical experience with similar operating assets. As a result of the significance of these assumptions and the substantial risks to which these projects are subject, the actual impact of each of the Trans Mountain Expansion Project and Base Line Terminal on incremental projected Adjusted EBITDA, and the Business generally, will vary and may vary materially. Before deciding to invest in Restricted Voting Shares, prospective purchasers should carefully consider the information set forth under the headings "*Notice to Investors — Growth Estimates*", "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*" and "*Notice to Investors — Non-GAAP Financial Measures*" as well as the other information set forth herein.

Financial Highlights and Growth Estimates[(1)(2)]



2018 Projected Adjusted EBITDA Assumptions

- Adjusted EBITDA of $395 million generated from assets in service during 2016 is held flat for purposes of the 2018 projected Adjusted EBITDA based on the historical stability of the Adjusted EBITDA generated by these assets.
- 2018 includes $106 million of capitalized equity financing costs based on projected capital expenditures on the Trans Mountain Expansion Project applying the deemed 45% equity capital structure and 9.5% return on equity, both of which are based on a methodology approved by the NEB and agreed upon with contracted shippers.
- 2018 includes $22.1 million of Adjusted EBITDA contribution related to the Business' 50% share of a partial year of in-service of the Base Line Terminal project comprised of contractually based projected revenue of $54.6 million and related estimates of incremental operating costs of $10.4 million, which includes operations and maintenance ($7.2 million) and taxes, other than income taxes ($3.2 million).

2020 Projected Adjusted EBITDA Assumptions

- Adjusted EBITDA of $523 million generated from assets in service during 2018 is held flat for purposes of the 2020 Adjusted EBITDA projection based on the historical stability of the Adjusted EBITDA generated by the assets currently in service and contributions from expansion projects expected to be placed in service primarily during 2018.
- 2020 includes incremental projected Adjusted EBITDA of $776 million related to a full year in-service of the Trans Mountain Expansion Project comprising contractually based revenue of $1.07 billion and related estimates of incremental operating costs of $153.2 million, which includes operations and maintenance ($63.6 million) and taxes, other than income taxes, including estimated provincial pipeline taxes ($62.1 million). In addition, 2020 includes incremental general and administrative expenses of $27.5 million.
  Revenues are based on average tolls of $5.17 per barrel and minimum contracted volumes of 707,500 bbl/d. These estimates do not include any estimates of income generated from the potential of up to 182,500 bbl/d of spot volume. Also, 2020 includes an estimated decrease in capitalized equity financing costs of $124 million.
- 2020 includes an additional $21.6 million of incremental projected Adjusted EBITDA related to the Business' 50% share of the Base Line Terminal project, which is expected to be fully in service during 2019, for a total 50% share of $43.7 million of projected Adjusted EBITDA resulting from contractually based revenues of $98.4 million and related estimates of incremental operating costs of $11.0 million, comprised of operations and maintenance ($7.6 million) and taxes, other than income taxes ($3.4 million).

Notes:

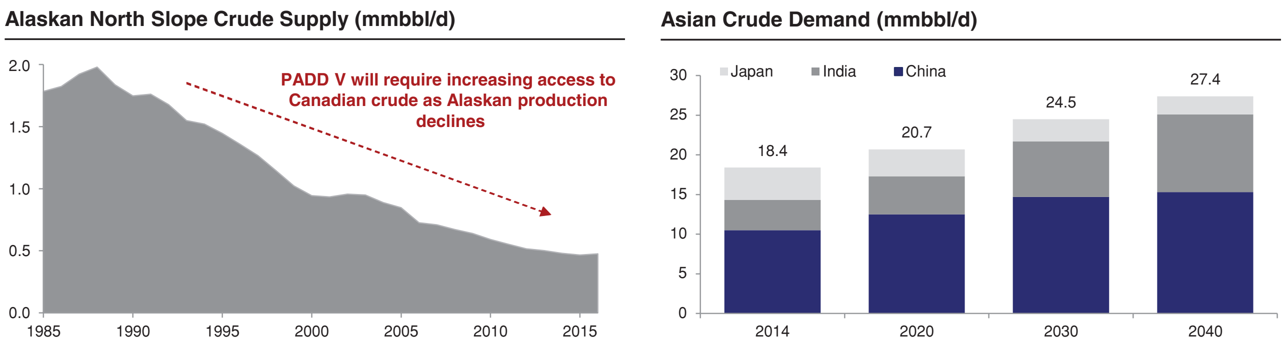
(1) See "*Notice to Investors — Growth Estimates*", "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*" and "*Notice to Investors — Non-GAAP Financial Measures*".

(2) Approximate Canadian/United States exchange rates of $0.91. $0.78 and $0.76 were used in 2014, 2015 and 2016, respectively. For periods beyond 2017, an exchange rate of $0.80 was assumed. Amounts in the "*Financial Highlights and Growth Estimates*" table above, including its corresponding notes, may contain differences due to rounding.

(3) Base business, while expected to be relatively stable, is subject to re-contracting and other risks. See "*Notice to Investors — Growth Estimates*" and "*Risk Factors*".

Upon completion of the Trans Mountain Expansion Project, 100% spot utilization on the expanded TMPL could add more than $200 million of Adjusted EBITDA to the Business annually on such terms. Notably, the three pipeline connected refineries with historic and expected continued demand in excess of 100,000 barrels per day on the TMPL are not contracted shippers on the expanded TMPL and, accordingly, could become spot shippers or receive allocated capacity for any additional volumes following completion of the project. The Company believes that there will be significant demand for spot volume capacity upon start-up of the new system due to increasing demand in the United States and abroad. PADD V, and Washington State in particular (as demand is expected to stay flat), is expected to require increasing access to Canadian crude oil if Alaskan production continues to decline. In addition, transit time to California from Burnaby is shorter than from Alaska by approximately three days (thereby reducing tanker costs) and the reversal of the U.S. oil export ban in late 2015 has put further supply pressure on the PADD V market. While markets in Asia are collectively larger than the U.S. Gulf Coast market and are forecasted to grow significantly, representing the majority of global crude demand growth (estimated to be approximately 70% from 2014 to 2040), Canadian crude exported from the West Coast can, where pricing is favourable, also access the U.S. Gulf Coast market through the Panama Canal (Source: CAPP 2016 Crude Oil Forecast, Markets and Transportation, 2016-0007).

Alaskan North Slope Supply and Asian Crude Demand



Note:

(1) Alaskan North Slope crude supply data sourced from U.S. Energy Information Administration and Asian crude demand sourced from CAPP 2016 Crude Oil Forecast, Markets and Transportation 2016-0007.

As of March 31, 2017, remaining cash construction costs on the Trans Mountain Expansion Project were estimated to be approximately $6.2 billion (with the majority of such costs expected to be incurred in 2018 and 2019). The Company currently expects that a significant majority of the capital expenditure requirements related to the Trans Mountain Expansion Project will be funded through a combination of the Credit Facility, dividend and distribution reinvestments, term debt and the issuance of preferred equity. The Business' targeted funding mix during construction and following completion, of the Trans Mountain Expansion Project is intended to be consistent with an investment grade credit rating.

See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operation of the Business — Commodity Supply and Demand Risks*".

Meaningful organic growth opportunities in terminals, storage and diluent businesses

The Base Line Terminal, a 50-50 joint venture with Keyera, is expected to be placed in service throughout 2018 at a total cost of approximately $724 million (approximately $374 million net to the Business). The Base Line Terminal project is supported by multiple, long term, high quality customer contracts, and the Company is of the view that there is potential for the Base Line Terminal to expand its operations in the future. The Base Line Terminal is expected to increase the annual Adjusted EBITDA of the Business by approximately $22 million during 2018 and approximately $44 million on an annualized basis thereafter based on contracted volumes and rates and expected operating costs. See the table set forth above under the heading "*— Sizeable growth project of strategic national importance to Canada*". See also "*Notice to Investors — Growth Estimates*" and "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*" and "*Notice to Investors — Non-GAAP Financial Measures*".

The Vancouver Wharves Terminal is the largest mineral concentrate export/import facility on the west coast of North America, transferring approximately 4.0 million tons of bulk cargo and 1.5 million barrels of liquids annually to predominantly offshore export markets. The majority of capacity at the Vancouver Wharves Terminal is contracted under take-or-pay terminal service agreements with minimum volume guarantee and/or service exclusivity arrangements. Through its interest in the Vancouver Wharves Terminal, the Business controls one of the last remaining parcels of land available for development in Port Metro Vancouver. While no definitive decisions have been made, or approvals received, several projects have been identified and are in various stages of evaluation and/or development.

With Canadian bitumen production projected to continue to grow through 2030 (Source: CAPP 2016 Crude Oil Forecast, Markets and Transportation 2016-0007), U.S. diluent imports are expected to remain an integral part of bringing Canadian bitumen to market. The Canadian Cochin pipeline system has take-or-pay commitments of 85,000 barrels per day. If future demand supports it, throughput on the system has the potential to reach approximately 110,000 barrels per day if additional receipt points in Canada are established. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*".

While Kinder Morgan does not presently have plans to expand the TMPL system outside of the current scope of the Trans Mountain Expansion Project, the combined capacity of the expanded system could potentially be further increased to approximately 1.2 million barrels per day with additional power and without significant pipeline looping. Similarly, the Puget Sound pipeline system is capable of being expanded to increase its capacity from approximately 240,000 barrels per day to approximately 500,000 barrels per day. To the extent that production of oil from the Alaskan North Slope (a key source of supply for Washington State and California) continues to decline, there may be additional expansion opportunities for the Puget Sound pipeline system, should WCSB producers increase their shipments to Washington state refineries. See "*— Sizeable growth project of strategic national importance to Canada*" above and "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*".

The Company expects the Business will generate predictable, growing cash available for distribution to support regular and growing dividends

The Company currently intends to establish a dividend policy pursuant to which the Company will pay a quarterly dividend in an amount based on its portion of the Business' distributable cash flow. The Company is currently targeting an initial dividend in the amount of approximately $0.65 per Restricted Voting Share on an annualized basis, or approximately $66.9 million in the aggregate (approximately $76.9 million if the Over-Allotment Option is exercised in full), assuming the payout of substantially all of the Business' distributable cash flow excluding capitalized equity financing costs. See "*Distributable Cash Flow*" and "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Cash Dividend Payments are Not Guaranteed*".

The assets of the Business are well-suited to support regular and growing dividend payments. Since late 2010, the TMPL system has been over-subscribed with shippers that are generally large and well-capitalized. As at the date hereof, a significant majority of the system's shippers have, or are subsidiaries of a parent entity that has, an investment grade credit rating (however such parent entity may not be a guarantor). The Terminals business is largely contracted under long-term, take-or-pay agreements with an average term of ten years. Additionally, the Cochin pipeline system has three primary customers who, among them, have total contractual take-or-pay commitments of 85,000 barrels per day with an initial contract period extending until 2024.

It is anticipated that, following completion of the Trans Mountain Expansion Project, 80% of capacity (the maximum amount under the regulated limit imposed by the NEB) on the expanded TMPL system will be contracted under long-term firm commitments (the majority having a 20-year term), and that, as a result, significant incremental cash will be available for distribution. In alphabetical order, the shippers will include:

Athabasca Oil Corporation, BP Canada Energy Trading Company, Brion Energy Corporation, Canadian Natural Resources Limited, Cenovus Energy Inc., Devon Canada Corporation, Husky Energy Marketing Inc., Imperial Oil, MEG Energy Corp., Suncor Energy Marketing Inc., Teck Canadian Energy Sales Ltd., Tesoro Canada Supply and Distribution Ltd. and Total E&P Canada Ltd. The TMPL is currently expected to be operating at or near maximum capacity after the completion of the Trans Mountain Expansion Project and, based on the TMPL's 65 year operating history, the Company believes that the long-term commercial viability of the system will extend well beyond the initial 20 year contract period.

Target capital structure consistent with an investment grade profile

The Business is not expected to have drawn corporate or asset level debt at the time of the closing of the Offering. A significant majority of the capital expenditure requirements related to the Trans Mountain Expansion Project are expected to be funded through a combination of the Credit Facility and other loans, dividend and distribution reinvestments and the issuance of preferred equity. The Business' targeted funding mix during construction and following completion of the Trans Mountain Expansion Project is intended to be consistent with an investment grade credit rating.

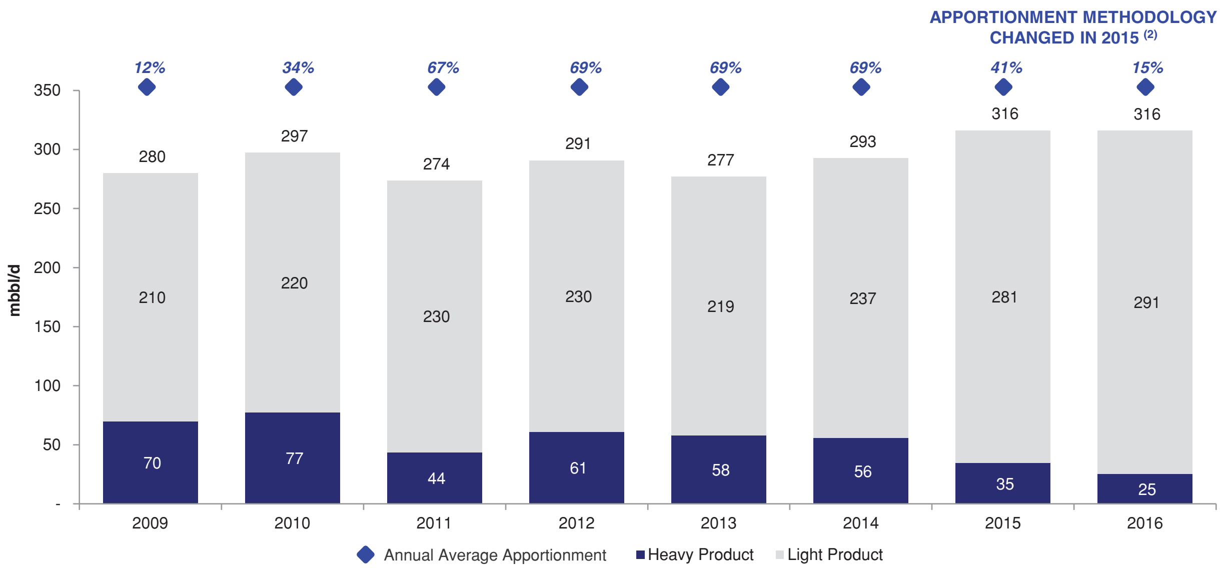
Trans Mountain Pipeline System, Terminals and Related Pipelines

Trans Mountain Overview

Trans Mountain Oil Pipe Line Company was established on March 21, 1951. Construction of the TMPL commenced in 1952 and the first shipment of oil reached Trans Mountain's Burnaby terminal on October 17, 1953. The initial capacity of the pipeline system was 150,000 barrels per day. Since 1953, the capacity of the TMPL has been increased a number of times by twinning parts of the line and adding associated facilities.

In 2008, the Anchor Loop project was completed, which project involved the installation of a second pipeline adjacent to the existing TMPL on a 158 kilometer section of the system between Hinton, Alberta and Hargreaves, British Columbia, just west of Mount Robson Provincial Park. The Anchor Loop project increased the capacity of the pipeline system from 260,000 barrels per day to 300,000 barrels per day and involved the installation of two new pump stations.

The TMPL is approximately 1,150 kilometers long, beginning in Edmonton, Alberta and terminating on the west coast of British Columbia in Burnaby. Twenty-three active pump stations located along the TMPL route maintain the 300,000 barrels per day capacity of the line, flowing at a speed of approximately eight kilometers per hour. In addition to the pump stations, four terminals located in Edmonton, Kamloops, Sumas and Burnaby and the Westridge Marine Terminal, house storage tanks and serve as locations for incoming pipelines. The 300,000 barrels per day nominal capacity of the pipeline has been determined based on a throughput mix of 20% heavy oil and 80% light oil. As shown in the table below respecting TMPL's historical throughput apportionment, the actual delivery capacity on the TMPL mainline is based on the type of oil or refined product being transported. For example, when the pipeline is delivering only light oil, it can deliver an amount closer to approximately 350,000 barrels per day and if it is delivering only heavy oil, the system's delivery capacity is closer to approximately 280,000 barrels per day.

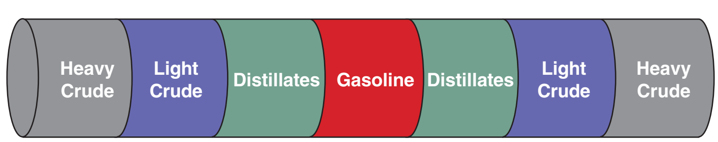


Notes:

(1) Apportionment = 1 - (accepted nominations / total nominations)

(2) On May 1, 2015 the NEB changed the nomination methodology by limiting the amount of accepted nominations to the best 18 of the last 24 months of historical nominations. This resulted in a decrease in nominations because there was less opportunity to achieve more accepted nominations

The Trans Mountain pipeline regularly ships multiple products, including refined petroleum, synthetic crude oil, light crude oil and heavy crude oil, and it is the only pipeline in North America that carries both refined products and crude oil together in the same line. This process, known as "batching", means that a series of products can follow one another through the pipeline in a "batch train". A typical batch train in the TMPL mainline is made up a variety of materials being transported for different shippers; however, any product moved in the pipeline must meet Trans Mountain's tariff requirements, which include technical specifications for any products accepted for transportation in the TMPL system. While products next to each other in the pipeline mix, product interface is kept to a minimum by moving the products in a specific sequence, as illustrated below. Products that do mix are re-refined for use.



In order to optimize batches to achieve maximum throughput, Trans Mountain has built tanks, pumps and other ancillary equipment which enable connection and staging of batches to be delivered to the TMPL mainline pipe. Tanks are used to accumulate enough of a particular type of product to make up an efficient batch. While shippers are permitted to deliver oil to the mainline at a rated throughput to avoid the use of tanks, the TMPL tanks can be used by shippers delivering at less than the 300,000 barrels per day capacity to accumulate their product and have it pumped at the throughput capacity 300,000 barrels per day so as not to slow the line down. In addition to maximizing throughput, the tanks are also used to minimize the mixing or product interfaces. See "— *Trans Mountain Terminals*" and "— *Terminals*" below.

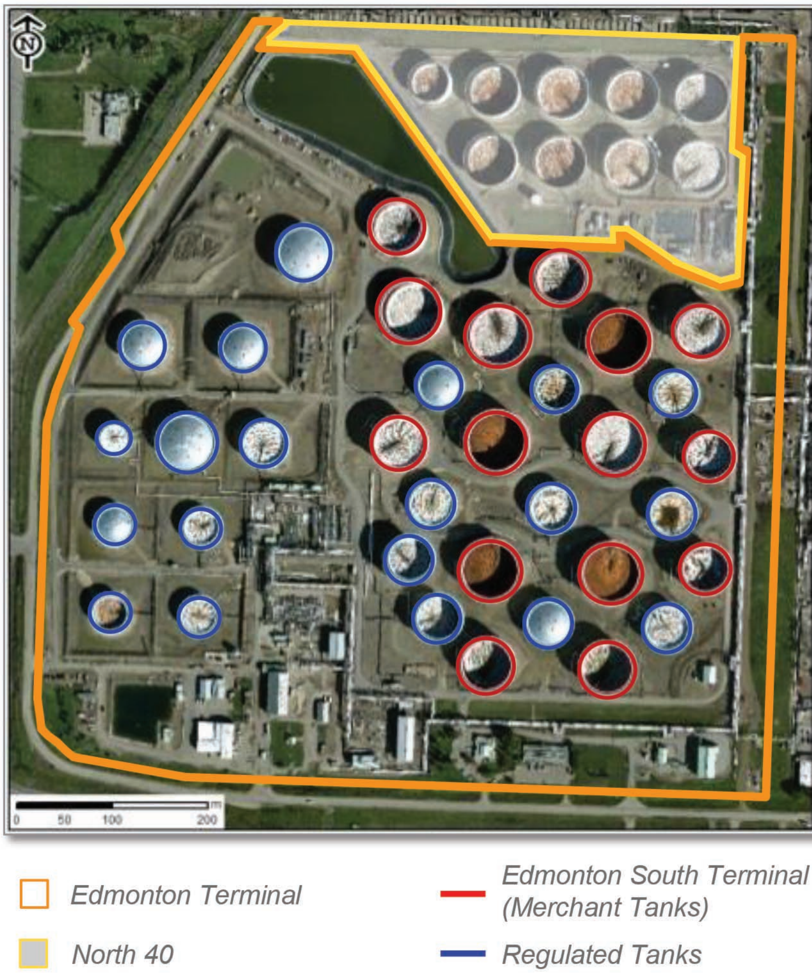
As at the date hereof, the Trans Mountain pipeline remains the only pipeline that transports liquid petroleum from the WCSB to the West Coast. It is also the only pipeline providing Canadian producers with access to world market pricing through a Canadian port.

Trans Mountain Terminals

Edmonton Terminal

The TMPL system begins in Sherwood Park, Alberta at the Edmonton terminal (the "**Edmonton Terminal**"). This facility is made up of 35 tanks with total storage capacity of approximately 8.0 million barrels. All tanks at the Edmonton Terminal are in crude oil, condensate or refined product service and each tank has the flexibility to handle most products that are connected to the terminal, including in-tank mixing of multiple products. The Edmonton Terminal is connected to 20 incoming pipelines from oil and refinery production in Alberta and is adjacent, or in close proximity, to the starting point of the Enbridge Inc. cross-continent crude oil pipeline system, the North 40 Terminal, the Suncor Energy Inc. Edmonton refinery, the Keyera Edmonton terminal, the Keyera Alberta Envirofuels plant, the Gibson Energy Inc. Edmonton terminal, the Plains Midstream Canada Edmonton Strathcona terminal and the Imperial Oil Strathcona refinery.

Twenty of the tanks at the Edmonton Terminal, ranging in size from 80,000 barrels to 220,000 barrels and comprising 2.9 million barrels of total storage capacity, are currently used by Trans Mountain to serve the TMPL system's regulated service. As noted above, these tanks are used by Trans Mountain to facilitate batching and maximize throughput on the TMPL mainline. See "— *Trans Mountain Overview*" above. The remaining 15 tanks at the Edmonton Terminal (referred to as the "Edmonton South Terminal" and as illustrated in the image below), ranging in size from 250,000 barrels to 400,000 barrels and constituting approximately 5.1 million barrels of the total storage capacity, are leased to KM Canada North 40's Edmonton South Terminal and are marketed on a merchant basis, subject to a 24 month right of recall, exercisable by Trans Mountain, in the event that the Edmonton Terminal is built out and Trans Mountain requires the tanks for its regulated service. This leasing arrangement is based on a Memorandum of Understanding with the Canadian Association of Petroleum Producers and has been sanctioned by the NEB. In connection with the completion of the Trans Mountain Expansion Project, Trans Mountain expects that it will exercise recall rights under the leasing arrangement with KM Canada North 40 in respect of two of the tanks at the Edmonton South Terminal. As a result, following this recall, the Edmonton South Terminal will be comprised of 13 merchant tanks and 22 of the existing tanks will be used by Trans Mountain to service the regulated TMPL system. As the use of the recalled tanks will be included in the overall tolls charged on the expanded TMPL, such tanks will no longer generate the incremental revenue realized through leases to external customers. As such, the recall is expected to result in a decrease in the net cash earnings attributable to the Edmonton South Terminal. See "— *Terminals — Overview of Terminals — Edmonton South Terminal*" below.



In addition to its service as a storage and terminalling facility, the Edmonton Terminal houses the primary control centre for the Trans Mountain pipeline, the Puget Sound pipeline, the Jet Fuel pipeline, the North 40 Terminal and the line to the Edmonton Rail Terminal. It will also control the supply lines to the Base Line Terminal, once the terminal is in service. Transfer of centralized control for the Westridge Marine Terminal to this control centre is anticipated to be completed during the latter part of 2017. The control centre located at the Edmonton Terminal does not operate the Cochin pipeline system, which is controlled from the United States. See "— *Terminals*" below.

Kamloops Terminal

In Kamloops, British Columbia, refined products from Edmonton, Alberta are delivered to a distribution terminal operated by a third party. The TMPL terminal in Kamloops contains two storage tanks with a total storage capacity of approximately 160,000 barrels and also serves as a primary pump station for the TMPL system.

Sumas Pump Station and Sumas Terminal

The Sumas pump station and the Sumas terminal (the "**Sumas Terminal**") are approximately three kilometers apart and are both located in Abbotsford, British Columbia. The terminal is used to stage oil for delivery and contains six storage tanks with total storage capacity of approximately 715,000 barrels. The pump station includes four pumps, two of which are used to route product from the TMPL mainline into Washington State via the Puget Sound pipeline system and two of which are used to route the product on the TMPL mainline to Burnaby, British Columbia.

Burnaby Terminal

The terminal located in Burnaby, British Columbia (the "**Burnaby Terminal**") is the terminus of the TMPL mainline. It receives both crude oil and refined products for temporary storage and distribution through separate pipelines to a local distribution terminal, a local refinery and the Westridge Marine Terminal. The Burnaby Terminal has 13 storage tanks with total storage capacity of approximately 1.685 million barrels.

The pump station used to operate the Jet Fuel pipeline system is also located within the Burnaby Terminal although the Jet Fuel pipeline system and the Trans Mountain pipeline system are not connected and are operated as separate systems.

Westridge Marine Terminal

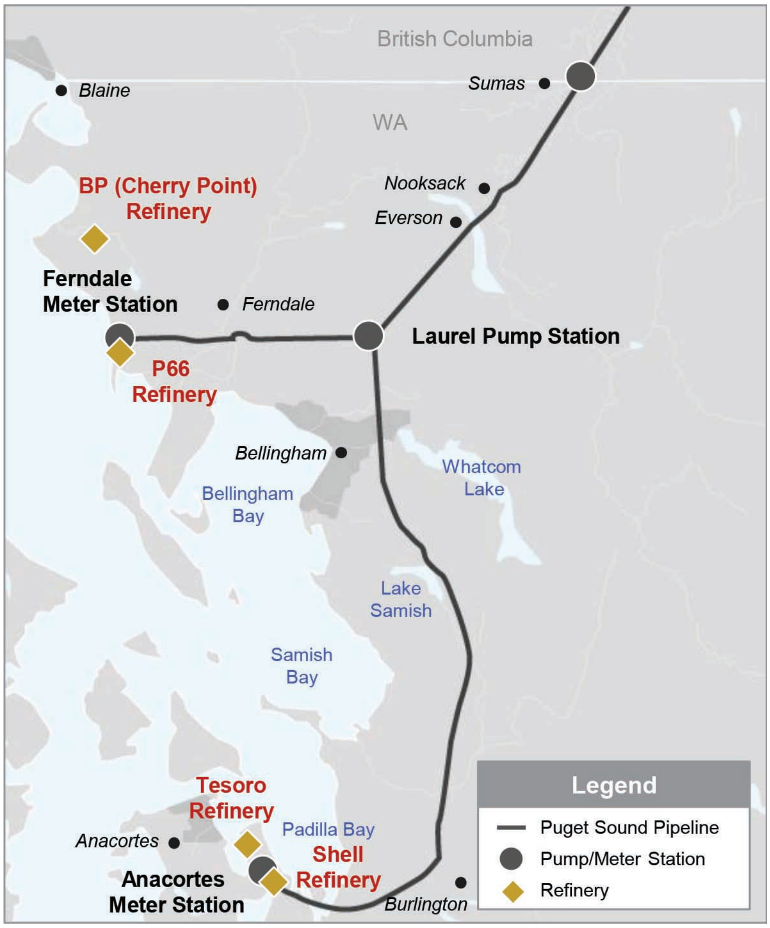
The Westridge Marine terminal is located within the Burrard Inlet in Burnaby, British Columbia ("**Westridge**" or the "**Westridge Marine Terminal**"). Regulated by Transport Canada and the NEB, the dock at the terminal can accommodate up to Aframax class vessels (approximately 120,000 dead weight tons) and barges.

The Westridge Marine Terminal is used to deliver crude oil from the Trans Mountain pipeline system onto barges and tankers and to receive jet fuel to the three tanks at the terminal used for delivery into the Jet Fuel pipeline system.

The Westridge Marine Terminal houses three storage tanks, that are currently being leased to a third party, with total storage capacity of approximately 395,000 barrels. Significant modifications are planned for the Westridge Marine Terminal as part of the Trans Mountain Expansion Project. See "— *Trans Mountain Expansion Project — Project Description*" below.

Puget Sound Pipeline System

In operation since 1954, the Puget Sound pipeline system ships crude oil products from the Sumas Terminal to Washington State refineries in Anacortes and Ferndale.



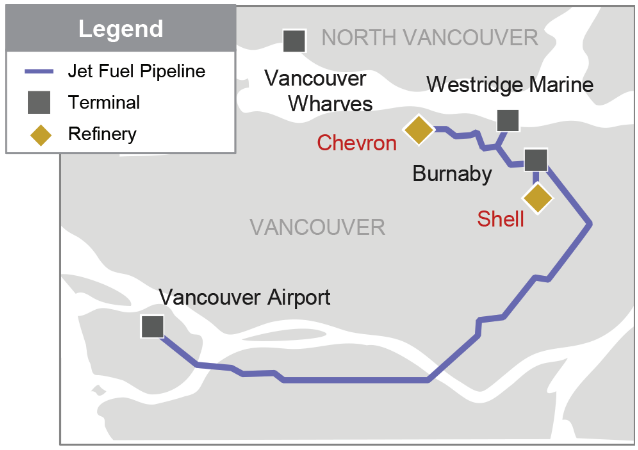
The Puget Sound pipeline system is approximately 111 kilometers long, with one pump station and a diameter of 16 to 20 inches (406 to 508 mm) and two storage tanks with total storage capacity of approximately 200,000 barrels. The system has total throughput capacity of approximately 240,000 barrels per day (when transporting primarily light oil), with approximately 191,000 barrels per day transported in 2016. The transit time of products on the Puget Sound pipeline system is approximately one day. The pipeline is regulated by the FERC for tariffs and the USDOT for safety and integrity. Approximately 80% of the 2016 revenue from Puget Sound originated from counterparties that have, or are subsidiaries of a parent entity that has, an investment grade credit rating (however such parent entity may not be a guarantor).

In addition to their access to the Westridge Marine Terminal, shippers on the TMPL system have, and following completion of the Trans Mountain Expansion Project will continue to have, the option to deliver their product to the Puget Sound pipeline system.

Jet Fuel Pipeline System

The Jet Fuel pipeline system transports jet fuel from a Burnaby refinery and the Westridge Marine Terminal to the Vancouver International Airport. The 41 kilometer pipeline system has been in operation since 1969. It includes five storage tanks at the Vancouver International Airport with aggregate storage capacity of

45,000 barrels. The BC OGC regulates the integrity and safety of the pipeline and the BCUC regulates the Jet Fuel pipeline's tolls.



The Trans Mountain Expansion Project

Background

Beginning in early 2011, through discussions with Trans Mountain and existing shippers and other interested parties, it became clear that there was significant interest in an expansion of the TMPL for the purpose of improving access to the North American west coast and offshore markets. Between October 2011 and November 2012, Trans Mountain conducted an open season process to obtain commitments for the Trans Mountain Expansion Project. Trans Mountain advanced a firm service offering designed to provide shippers with long-term contractual certainty of shipping crude oil product volumes on the expanded system, while providing Trans Mountain with the financial certainty necessary to support the contemplated investment in the expansion. In total, at the conclusion of the open season process, Trans Mountain entered into firm transportation services agreements with 13 companies for a total of 707,500 barrels per day based on a capacity of 890,000 barrels per day (the maximum amount that Trans Mountain anticipated the NEB would authorize) following completion of the Trans Mountain Expansion Project.

In January 2013, Trans Mountain made an application to the NEB for approval of the proposed transportation service to be provided and the proposed toll methodology to be used in the event the Trans Mountain Expansion Project was approved by the NEB (key issues included approval of negotiated rates for contracted shippers, a 10% premium embedded in the toll methodology for spot shippers over 15-year contract shippers, the limitation of contract capacity to 80% of total capacity and the apportionment methodology for spot capacity). In May 2013, the NEB approved the commercial terms of the expansion proposal. See "— *Customers and Contractual Relationships — Expansion Shipping Agreements*" below.

In December 2013, Trans Mountain submitted its formal facilities application to the NEB. The NEB review process included approximately 1,650 participants, including Commenters and approximately 400 Intervenors. Key steps in the process included several rounds of Information Requests by the NEB and Intervenors, IR responses from Trans Mountain and opportunities for Intervenors to file written evidence. The process also included an oral hearing of Aboriginal groups' traditional evidence in 2014 and oral argument respecting the Trans Mountain Expansion Project as a whole in 2015 and 2016.

On May 19, 2016, following a 29 month review, the NEB recommended that the Government of Canada approve the Trans Mountain Expansion Project, subject to the satisfaction of 157 required conditions. These conditions apply during various stages of the proposed project's lifecycle, including before construction, during construction and during the operation of the expanded TMPL system. The conditions are designed to reduce possible risks that were identified by the NEB during the application process. The conditions cover a wide range of areas including safety and integrity, emergency preparedness and response, environmental protection, ongoing consultation with stakeholders, socio-economic matters, financial responsibility and affirmation of commercial support. The conditions, which are acceptable to the Business on both a cost and schedule basis, are comprised of five general conditions, 98 conditions that must be satisfied prior to commencing construction (54 of these conditions are filed as information), 35 conditions that must be satisfied prior to commencing operations and 19 conditions that will require activities after operations have commenced.

On November 29, 2016, the Government of Canada approved the Trans Mountain Expansion Project and on December 1, 2016, the NEB issued its Certificate of Public Convenience and Necessity. The approval of the Trans Mountain Expansion Project by the Government of Canada was provided in the context of a broader pipeline plan developed by the federal government designed to grow the Canadian economy while protecting environmentally sensitive areas. As a result, along with the announcement of the Trans Mountain Expansion Project approval, the Government of Canada also noted that, among other things: (i) a moratorium on persistent oil tankers along British Columbia's north coast has been implemented; (ii) more than $300 million had been committed to Indigenous groups by Kinder Morgan under mutual benefit agreements and the Government of Canada had agreed to provide funding for an Indigenous advisory and monitoring committee to work with federal regulators and Kinder Morgan to oversee environmental aspects of the Trans Mountain Expansion Project and other projects throughout their applicable life cycles; (iii) before any shipping from the Trans Mountain Expansion Project begins, a recovery plan for the southern resident killer whale population and a $1.5 billion national ocean protection plan will be implemented to improve marine safety and responsible shipping; (iv) Trans Mountain is required to develop a construction-related emissions offset plan to achieve zero net emissions; and (v) through the climate leadership plan, the Government of Alberta had committed to cap oil sands emissions at 100 megatonnes of CO_2 per year to limit future potential upstream greenhouse gas emissions.

On January 11, 2017, the Government of British Columbia announced the issuance of an environmental assessment certificate from B.C.'s Environmental Assessment Office to Trans Mountain for the B.C. portion of the Trans Mountain Expansion Project. The environmental assessment certificate includes 37 conditions that are in addition to and designed to supplement the 157 conditions required by the NEB.

In addition, on January 11, 2017, the Government of British Columbia announced that the Trans Mountain Expansion Project had met the B.C. Government's five conditions relating to world-leading marine and land oil spill response, protection and recovery measures for B.C.'s coast and land areas, environmental reviews, First Nations consultations and participation and economic agreements that reflect the level and nature of the risk the province bears with a heavy oil project. The meeting of such conditions being an important precursor to receiving approval of additional provincial permits. In connection with the B.C. conditions, Trans Mountain has entered into an agreement to contribute a guaranteed amount of $25 million annually for 20 years to the B.C. Government, and up to a maximum of $50 million annually, depending on spot volume shipments. The B.C. Government has stated that all of the proceeds received from Trans Mountain pursuant to this agreement will be used and applied to a new B.C. Clean Communities Program, or similar program, which has a mandate to provide funding for projects and initiatives that protect the environment and benefit communities, including local projects that protect, sustain and restore B.C.'s natural and coastal environments.

Trans Mountain incorporated the NEB's 157 conditions and the 37 conditions of the Government of British Columbia into its cost estimates and project schedule and, in response to public feedback, has implemented certain additional changes to the Trans Mountain Expansion Project including, among other things, increasing pipe wall thickness and adding additional drilled crossings in environmentally sensitive areas and the Burnaby Mountain tunnel. These and other factors resulted in Trans Mountain increasing the final cost estimate and tolls to reflect an updated estimated Trans Mountain Expansion Project cost of approximately $7.4 billion (including capitalized financing costs). On March 9, 2017, the final cost estimate review with shippers was completed wherein shippers had the option to keep their volume commitments or turn back their commitments (or a portion thereof) and pay their pro rata share of development costs to date.

The NEB-approved commercial terms for the Trans Mountain Expansion Project contemplate a capital cost risk sharing investment structure whereby the capital costs associated with the Trans Mountain Expansion Project will be classified into two segments: capped costs and uncapped costs. Uncapped costs, which account for approximately 24% of the capital cost of the Trans Mountain Expansion Project, will include some of the higher risk capital cost components of the Trans Mountain Expansion Project whereby any cost overruns will be reflected in increased tolls. These components include: (i) the price of steel for pipe; (ii) difficult pipeline construction spreads totaling approximately 10% of the Trans Mountain Expansion Project specifically, one mountain spread through the Coquihalla Summit near Hope, British Columbia and one urban spread between Langley and Burnaby, British Columbia (including the Burnaby tunnel); (iii) land acquisition costs between Langley and Burnaby, British Columbia; and (iv) all consultation and accommodation costs, including with respect to Aboriginal and non-Aboriginal communities. Costs above or below the uncapped cost amount will be reflected in higher or lower tolls for shippers by approximately $0.07 per barrel per $100 million of capital cost change. This structure is anticipated to not only allow Trans Mountain to recover its costs with respect to overruns on uncapped costs but to also earn returns following such cost recovery. Capped costs, which are expected to account for approximately 76% of the capital cost of the Trans Mountain Expansion Project, include all other costs associated with the construction of the Trans Mountain Expansion Project not classified as uncapped costs. Any capped costs above the pre-determined amount are the responsibility of Trans Mountain; however, capped costs below the pre-determined amount are reflected in lower tolls for shippers by approximately $0.07 per barrel per $100 million of capital cost change. Kinder Morgan has spent years advancing engineering designs for the Trans Mountain Expansion Project and has developed a comprehensive construction plan in conjunction with several of the world's leading engineering, procurement and construction and general contractor construction companies. As of March 31, 2017, remaining cash construction costs on the Trans Mountain Expansion Project were estimated to be approximately $6.2 billion. The costs of the Trans Mountain Expansion Project are expected to remain attractive even in cases of significant cost increases and schedule delays; however, such increases or delays will affect the amount of capital raised and the timing of the realization of earnings and cash flows from the Trans Mountain Expansion Project.

Trans Mountain delivered the final cost estimate and tolls to shippers in February 2017. At that time some existing shippers gave up capacity, some increased capacity and some new shippers acquired capacity, the net result of which was the turn back of 22,000 barrels per day (or 3% of the previously committed barrels). These 22,000 barrels per day were subsequently recommitted during an additional supplemental open season process in March 2017. As a result of the Trans Mountain Expansion Project's open season processes, 13 companies have entered into one 15-year and 12 20-year transportation service agreements with Trans Mountain for a total of 707,500 barrels per day, representing approximately 80% of the expanded system's capacity (the maximum amount under the regulated limit imposed by the NEB). This maximum level of recommitment highlights the strong market demand for the expanded system's takeaway capacity and has better aligned the Trans Mountain Expansion Project shipper composition with the changing Canadian crude producer landscape.

The final investment approval with respect to the Trans Mountain Expansion Project was obtained May 25, 2017, conditioned on the closing of the Offering. See "*Plan of Distribution*".

Project Description

Upon the completion of the proposed Trans Mountain Expansion Project, the TMPL system is anticipated to have capacity of 890,000 barrels per day. The proposed expansion of the TMPL system is intended to comprise, among other things, the following:

- approximately 980 kilometers of new, buried pipeline segments that twin (or "loop") the existing pipeline in Alberta and British Columbia, including two 3.6 kilometer segments (7.2 kilometers in total) of new buried delivery lines from the Burnaby Terminal to the Westridge Marine Terminal;
- new and modified facilities, including pump stations and tanks; and
- a new dock complex with three new berths at the Westridge Marine Terminal, each capable of handling Aframax class vessels.

The following diagram illustrates the overall Trans Mountain Expansion Project configuration:

The major components of the pipeline portion of the Trans Mountain Expansion Project will include:

- using existing active 24 inch (610 mm) and 30 inch (762 mm) outside diameter buried pipeline segments;

- reactivating two 24 inch (610 mm) outside diameter buried pipeline segments that have been maintained in a deactivated state;

- constructing three new 36 inch (914 mm) and one new 42 inch (1,220 mm) outside diameter buried pipeline segments totaling approximately 860 kilometers and 120 kilometers, respectively; and

- constructing two parallel 3.6 kilometers long, 30 inch (762 mm) outside diameter buried delivery lines from the Burnaby Terminal to the Westridge Marine Terminal.

The Trans Mountain Expansion Project will result in two continuous pipelines between Edmonton and Burnaby:

- Line 1 is expected to have a capacity of 350,000 barrels per day of light crude oil; and

- Line 2 is expected to have a capacity of 540,000 barrels per day of heavy crude oil.

The existing TMPL has been operating safely for more than 60 years and its location is known to local TMPL operations crews, landowners, surface management agencies, and local emergency responders. To minimize environmental and socio-economic effects and facilitate efficient pipeline operations, use of the existing TMPL right of way has been maximized in the Trans Mountain Expansion Project design. Where it was not possible to align along the existing TMPL right of way, construction along other linear facilities was evaluated including other pipelines, power lines, highways and roads, railways, communication lines and other utilities. The result is that approximately 73% of the new pipeline corridor follows the existing TMPL right of way, approximately 17% follows other existing rights of way, and approximately 10% will be within a new corridor. The completion of the Anchor Loop project in 2008 also avoids the need for additional construction in the highly sensitive Jasper National Park region.

Electrically-powered pump stations located at regular intervals along the pipeline will be required for the expansion. The major components of the pump stations portion of the Trans Mountain Expansion Project which will support mainline operation include:

- adding 12 new pump stations;
- reactivating the existing Niton pump station and adding one pumping unit at the Sumas pump station; and
- deactivating some elements of the existing Wolf, Alberta and Blue River, British Columbia pump stations.

The major components of the associated facilities of the Trans Mountain Expansion Project include:

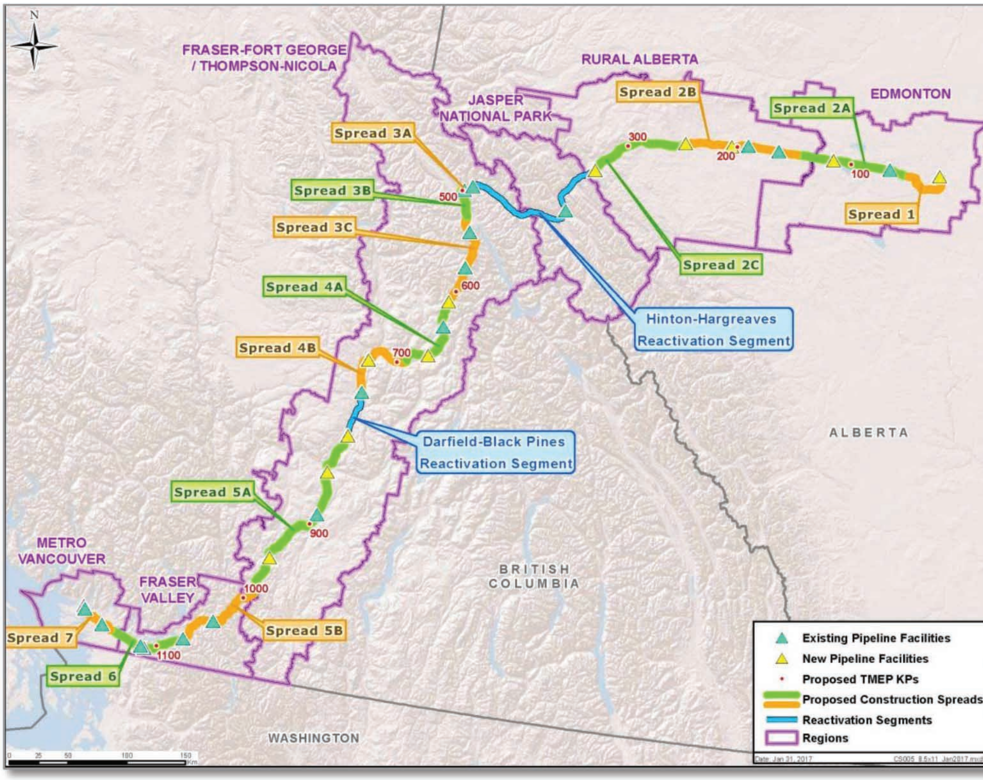
- the addition of 20 new above-ground storage tanks, including the construction of four new tanks and inclusion of two existing tanks at the Edmonton Terminal, constructing one new tank at the Sumas Terminal and the construction of 14 new tanks and the demolition of one existing tank at the Burnaby Terminal; and
- constructing a new dock complex, with a total of three Aframax-capable berths, as well as a utility dock (for tugs, boom deployment vessels, and emergency response vessels and equipment), at the Westridge Marine Terminal, followed by the deactivation and demolition of the existing berth.

Seventy-two new buried remote mainline block valves will be installed and complement existing mainline block valves, which will be located at the pump stations. These remote mainline block valves and mainline block valves work to limit the volume and consequences associated with a pipeline leak or ruptures. A total of 25 new sending or receiving scraper traps for in-line inspection tools will also be installed at facility locations along the pipeline.

In addition, the Trans Mountain Expansion Project requires two power line connections to the BC Hydro system, an approximately 24 kilometer line to connect to a power station in Kingsvale, British Columbia and an approximately 1.5 kilometer connection to a power station in Black Pines, British Columbia. BC Hydro requires Trans Mountain to either build such lines and turn them over to BC Hydro for a minimal amount or continue to own, maintain and operate them. The Business is currently considering selling these power line assets to a third party and entering into a services contract in relation thereto.

Currently, up to approximately five vessels per month are loaded with heavy crude oil at the Westridge Marine Terminal. Upon completion of the Trans Mountain Expansion Project, it is anticipated that the Westridge Marine Terminal will be capable of serving up to 34 Aframax class vessels per month with actual demand to be influenced by market conditions. The maximum vessel size (Aframax class) served at the terminal will not change as a result of the Trans Mountain Expansion Project. Similarly, product moving over the dock at the Westridge Marine Terminal is expected to continue to be primarily heavy crude oil. Of the 890,000 barrels per day capacity of the expanded system, up to 630,000 barrels per day may be handled through the Westridge Marine Terminal for shipment. Currently, monthly barge traffic typically consists of loading two crude oil barges and receiving one jet fuel barge. This level of activity is not expected to be affected by the Trans Mountain Expansion Project.

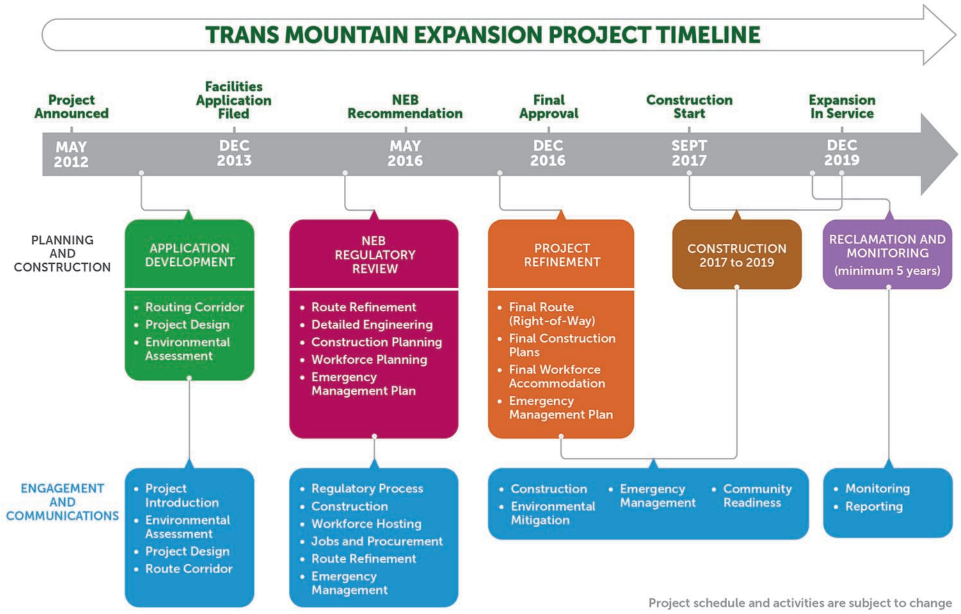
The Business is currently in negotiations with construction contractors to construct the various pipeline spreads on the Trans Mountain Expansion Project, with the intention that general construction contracts will be entered into with respect to spreads one through six and engineering, procurement and construction contracts will be entered into with respect to spread seven, terminals and pump stations (including the Edmonton Terminal) and with respect to any work required in the Lower Mainland. An illustration of the Trans Mountain Expansion Project pipeline spreads is set out below.



Upon completion, the newly constructed pipeline is expected to carry predominantly heavy crude volumes and the existing pipeline will carry predominantly light crude and refined products.

Project Schedule

Trans Mountain continues to work towards obtaining all necessary permits and the Business expects to begin construction on the Trans Mountain Expansion Project in September 2017, with an anticipated in-service date at the end of 2019. A summary of the overall Trans Mountain Expansion Project timeline is set out in the graphic below and a comprehensive construction plan has been developed in order to help achieve this timeline. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*".



Customers and Contractual Relationships

Existing Shipping Agreements

The TMPL mainline is a common carrier pipeline, providing transportation services under a cost of service model that is negotiated with shippers and regulated by the NEB. Although Trans Mountain takes custody of its shippers' products, it does not own any of the product it ships. The TMPL system has posted tariff rates that are available to all shippers based on a monthly contract which varies according to the type of product being shipped as well as receipt and delivery points. As such, it provides service to producers, marketers, refineries and terminals who sell or resell products to domestic markets, oil marketers and international shippers moving oil to such places as California, Washington and Asia.

Since late 2010, the TMPL system has been meaningfully over-subscribed, resulting in pipeline apportionment (nominating less volumes for shipment than shippers request). Shippers on the TMPL system are generally large and well-capitalized. In 2016, the top ten shippers on the Trans Mountain pipeline accounted for approximately 70% of the revenue generated from the system. Of these shippers, as a percentage of such revenue generated, 85% have, or are subsidiaries of a parent entity that has, an investment grade credit rating (however, such parent entity may not be a guarantor), with approximately 66% being rated A− to AA+ by S&P and approximately 19% being rated BBB to BBB+ by S&P. Of the remaining 15%, 11% are non-investment grade and 4% of the shippers do not have a credit rating. In alphabetical order, current shippers on the Trans Mountain pipeline system include the following entities or affiliates thereof: BP Canada Energy Trading Company, Cenovus Energy Inc., Chevron Canada Limited, Imperial Oil, Nexen Energy ULC, Phillips 66 Canada Ltd, Shell Canada Products, Suncor Energy Inc., and Tesoro Canada Supply and Distribution Ltd.

Throughout the past 20 years, Trans Mountain has entered into negotiated toll settlements with its shippers to establish final tolls on the TMPL system. The Company believes that negotiated settlements are advantageous from a cost perspective and may provide opportunities for additional returns.

In February 2016, the NEB approved Trans Mountain's 2016 to 2018 (inclusive) negotiated toll settlement. The toll settlement provides for a three year term and includes a rollover provision and an Trans Mountain Expansion Project transition provision. TMPL's net regulated rate base is approximately $1 billion as at December 31, 2016 with sustaining capital automatically added in subsequent years. Under the NEB-approved negotiated toll settlement, the tolls on the TMPL system are based on a 9.5% return on equity, a 5% cost of debt and a deemed 45% equity and 55% debt structure. The toll settlement provides for the flow-through to shippers of certain operating costs, including power costs, property tax, income tax, integrity costs, environmental compliance and remediation costs and the cost of insurance and security. Labour and service-related costs are fixed costs determined by the shared service model using a methodology approved by the NEB. These costs are allocated to the system based on usage and are escalated at a set index during the toll settlement period. In addition, the toll settlement agreement provides power and capacity incentives. Specifically, 50% of the British Columbia power costs savings are allocated to the shipper and 50% are allocated to the pipeline system and 75% of the transmission power costs savings are allocated to the shipper and 25% are allocated to pipeline sharing. The settlement agreement also provides for a capacity incentive which is allocated 50% to the shipper and 50% to the pipeline system above a formulaic 96% capacity target. Revenue variances resulting from volume are recovered from shippers in the following year. Trans Mountain's current negotiated toll settlement includes a provision for extension, if the extension is mutually acceptable to Trans Mountain and the shipper, up until the Trans Mountain Expansion Project in-service date.

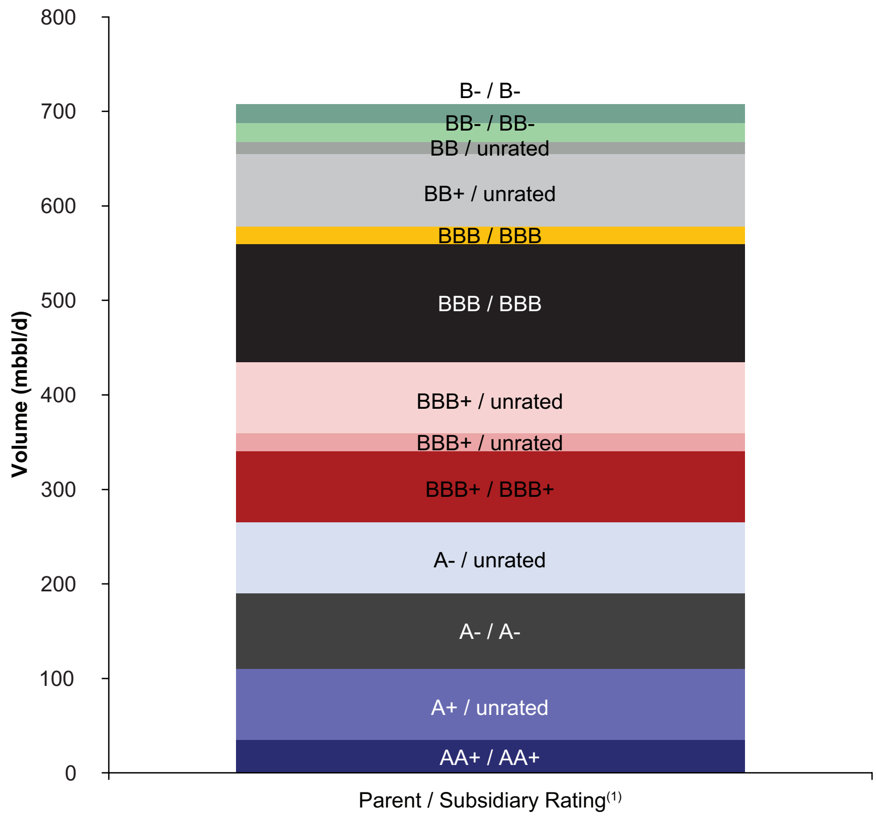
In 2011, Trans Mountain received approval from the NEB to implement firm service for 54,000 barrels per day of service to the Westridge Marine Terminal, and charge a premium on such barrels to fund expansion projects on the TMPL system. This service and the premiums associated with it will be in effect until the earlier of the in-service date of the TMPL expansion and ten years from the date of implementation. The premiums are approved to be used by Trans Mountain to offset the cost of projects designed to enhance existing and future operations including development costs relating to the Trans Mountain Expansion Project and equate to a total of approximately $28.6 million per year. As at December 31, 2016, $34 million had been used to construct a 250,000 barrel tank and associated infrastructure at the Edmonton Terminal and $104 million had been used to offset the development costs of the Trans Mountain Expansion Project. As part of its firm service implementation, 27,000 barrels per day of existing TMPL capacity was reallocated to the Westridge Marine Terminal, increasing the terminal's allocation to a total of 79,000 barrels per day.

Rates charged on the Puget Sound pipeline system are regulated by the FERC and are based on a cost of service model that has been in place since prior to 1992 and, as such, have been grandfathered and escalated from time to time as permitted by the FERC. As a result of this grandfathering, the Puget Sound cost of service rates that were in place for the 365 day period prior to September 1992, plus escalation, may continue to be charged to its shippers unless and until the rates are successfully challenged on the basis that a substantial change has occurred in the economic circumstances or nature of the services provided which were a basis for such rates. To date, no such complaints have been made. In 2016 approximately 80% of the revenue on the Puget Sound pipeline originated from customers that have, or are subsidiaries of a parent entity that has, an investment grade credit rating (however such parent entity may not be a guarantor).

The Jet Fuel pipeline system delivers jet fuel from the Westridge Marine Terminal and from a refinery in Burnaby to the Vancouver International Airport. With respect to the volume from the Westridge Marine Terminal, Trans Mountain has a contract with one of Canada's largest airlines to unload jet fuel from barges at the Westridge Marine Terminal and store such volumes at the Westridge Marine Terminal. The Jet Fuel pipeline system then transports such jet fuel to the Vancouver International Airport. Through this arrangement and the jet fuel shipped from the Burnaby refinery, the Jet Fuel pipeline system has a BCUC-approved negotiated settlement that ends in 2018.

Expansion Shipping Agreements

The NEB approval for the Trans Mountain Expansion Project requires that no less than 60% of the expanded system's capacity remain contracted and that no shipper termination rights remain outstanding prior to the commencement of construction. As noted above, as a result of the Trans Mountain Expansion Project's open season processes, 13 companies have entered into transportation service agreements with Trans Mountain, one having a 15 year term and 12 having a 20-year term, for a total of 707,500 barrels per day, representing approximately 80% of the expanded system's capacity (the maximum amount under the regulated limit imposed by the NEB). As illustrated below, these shippers represent or are affiliates of some of the largest producing companies in the WCSB and a significant majority of these committed shippers have, or are subsidiaries of a parent entity that has, an investment grade credit rating (however such parent entity may not be a guarantor). These companies have direct access to large volumes of supply, either through their own production, or through their position in the market as a large marketer and/or refiner of crude oil.



Note:

(1) On a barrels per day basis, approximately 82% of the post-expansion shippers have, or have a parent entity with, an investment grade credit rating (although such parent may not be a guarantor). Credit rating information sourced from Bloomberg.

Where a particular shipper is not investment grade or no support provider is available, Trans Mountain may obtain, in respect of such shipper, letters of credit from acceptable banks for an amount having the same value as up to 12-months of the shipper's contract exposure, or such other amount as may be determined reasonable and appropriate.

The Trans Mountain Expansion Project-related transportation service agreements provide for a sharing of risks between Trans Mountain and its shippers during the development stage, including the construction of the Trans Mountain Expansion Project, and the long-term operation of the pipeline system. Each shipper is entitled to a certain amount of capacity each month, and the shippers are required to pay for the fixed cost of such capacity whether they use it or not.

The transportation service agreements also provide flexibility to the shippers that are parties to them, as such agreements enable the shippers to manage their capacity entitlements and associated financial obligations. Shippers can assign their shipping rights to third parties on a short-term or long-term basis, thereby reducing risk and ensuring that the firm capacity is fully utilized. There are also make-up provisions in the event that shippers cannot use their full capacity entitlements in any given month. Shippers also have the right to renew their contracts at the end of the initial term for an additional five year period on rates to be determined at the time of renewal (if any).

The fixed toll to be paid by shippers under the Trans Mountain Expansion Project-related transportation service agreements has been established according to a risk sharing formula that will be escalated during the lifetime of the contracts at a fixed rate. Under the agreements there is a variable toll component based on actual costs incurred for power, unanticipated costs related to changes in legislation or regulation and other costs as may be agreed to by Trans Mountain and shippers. As the vast majority of the toll will not be adjusted according to actual costs incurred, as would normally occur under a cost-of-service approach, this arrangement will provide greater toll certainty to shippers and reduce the risk of unanticipated increases in transportation costs over time.

Approximately 20% of the expanded TMPL system's nominal capacity (182,500 barrels per day), will be reserved for spot month-to-month shipments. The toll for spot shipments will be tied to the toll for long-term service and, as such, spot shippers will benefit from all of the contractual provisions that protect long-term shippers from cost escalation.

Competition

Trans Mountain is subject to competition resulting from the shipment of oil from the WCSB to markets other than the Canadian and U.S. West Coast, including shipments to refineries in Ontario, the U.S. Midwest and the U.S. Gulf Coast. In addition, refineries in Washington State and California, which comprise an important point of sale on the U.S. West Coast, have, in the past, been supplied primarily by crude oil from the Alaska North Slope. As such, there has historically been some competitive pressure on supply originating from the WCSB for sale in the Washington State and California refinery markets. A further source of competition exists from the transportation of oil to the Canadian West Coast by rail. The Company expects that such supply and demand conditions in the oil markets served from the west coast of British Columbia will continue to impact the long-term value and economics of the TMPL system.

Despite this potential competitive pressure, the Company believes that the TMPL system, both pre- and post-expansion, will maintain its strong competitive position as a result of a number of factors. For example, contracted tariff rates on Trans Mountain after the expansion will range from approximately $5.00 per barrel to approximately $7.00 per barrel from Edmonton to Burnaby area. Uncontracted spot tariff rates will be 10% higher than the equivalent contracted tariff rates. Converted to U.S. dollars, these tariff rates would range from approximately U.S.$4.00 per barrel to approximately U.S.$6.00 per barrel. Environment and Climate Change Canada has estimated comparable rail transportation costs to California and the U.S. Gulf Coast to be approximately U.S.$16.00 per barrel and approximately $18.00 per barrel, respectively. Keystone posted tariff rates for U.S. Gulf Coast delivery are approximately U.S.$7.80 per barrel to U.S.$12.60 per barrel for heavy oil. The Government of Alberta, as of January 2017, reported the differential between WTI (light oil at Cushing Oklahoma) and WCS (heavy crude at Hardisty, Alberta) was approximately U.S.$15.00 per barrel.

In addition, the TMPL offers significant optionality and flexibility to its customers. Its tolling methodology and transportation contracts have been designed to promote high operating standards while remaining cost-competitive for the foreseeable future. Trans Mountain remains the only pipeline that transports oil and other liquid petroleum products from the WCSB to the West Coast of Canada and the United States and this important outlet provides producers in the WCSB with improved market access and market diversification. Further, due to recent changes in U.S. legislation, oil from the Alaska North Slope may now be sold to markets outside of the United States. To the extent this additional access to alternative markets for Alaskan producers increases overall demand from Washington State and California refineries, the TMPL system, including through its Puget Sound pipeline connection to four refineries in Washington State, will be in a position to facilitate supply to such markets for WCSB producers. As evidence of these competitive advantages, capacity on the TMPL has been over-subscribed since 2010 and approximately 80% of the capacity of the TMPL upon completion of the Trans Mountain Expansion Project is subject to long-term firm commitments. Similarly, throughput on the Puget Sound pipeline system has steadily risen in recent years, with 2015 and 2016 experiencing increases from previous years of over 15% and 30%, respectively. In 2016, the Puget Sound pipeline transported average volumes of approximately 191,000 barrels per day, comprising approximately one-third of the collective capacity of all refineries in the Anacortes and Ferndale area.

Historically, the Jet Fuel pipeline has transported a significant proportion of the jet fuel used at the Vancouver International Airport. However, the airport also receives jet fuel through other means including trucks and, recently, an affiliate of each of the airlines using the airport received approval to construct a jet fuel barge-receiving terminal near the airport. In 2016, the entity owning the Burnaby refinery supplying products to Jet Fuel for shipment announced its intention to sell the refinery and in April 2017 announced that it had reached an agreement with a third party for such sale. As a result of this pending sale, the Company is unable to predict whether, and to what extent, that refinery will continue to supply jet fuel to the Jet Fuel pipeline. These developments have made it unclear how much jet fuel will continue to be available for shipment to the Vancouver International Airport by way of the Jet Fuel pipeline in the future. To the extent it becomes uneconomic to continue shipping jet fuel to the Vancouver International Airport, the Company estimates that the decommissioning and abandonment costs of the Jet Fuel pipeline would be in the range of $2.0 million to $3.0 million, subject to regulatory approval of the BCUC and the BC OGC. The Business continues to assess its options relating to the Jet Fuel assets.

Potential Growth Opportunities

While the Business does not presently have any plans to expand the TMPL system outside of the current scope of the Trans Mountain Expansion Project, the combined capacity of the expanded pipeline could potentially be further increased by over 300,000 barrels per day to approximately 1.2 million barrels per day, with additional power and further capital enhancements.

The Puget Sound pipeline is capable of being expanded to increase its capacity to approximately 500,000 barrels per day from its current capacity of 240,000 barrels per day. See "*The Business — Investment Highlights — Sizeable growth project of strategic national importance to Canada*".

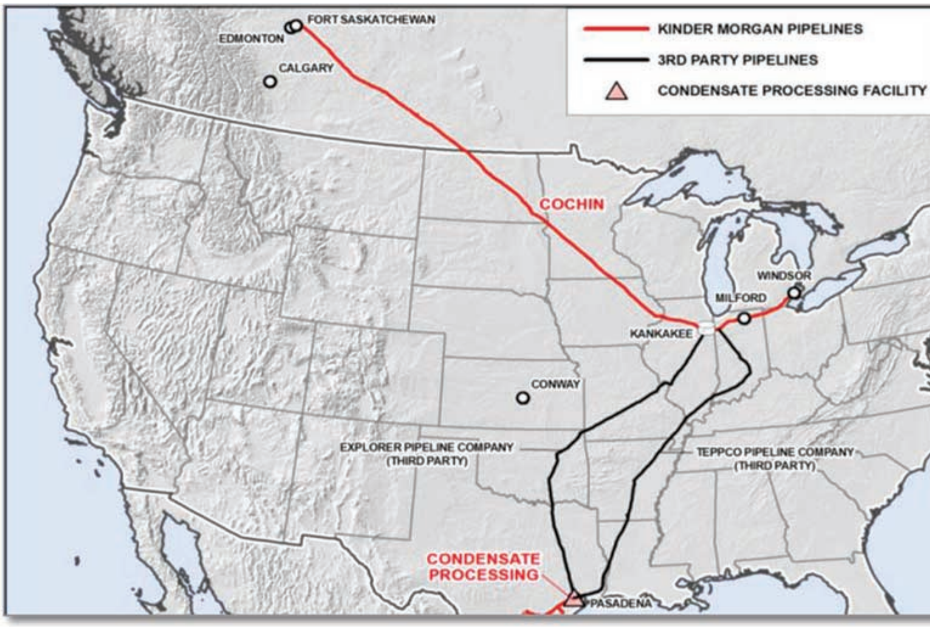
The Business will continue to monitor market and industry developments to determine which, if any, further expansion projects on the TMPL system may be appropriate.

See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May Be Inhibited, Delayed or Stopped*".

Cochin Pipeline System

Overview

The Cochin pipeline system consists of a 12 inch (305 mm) diameter pipeline which spans from Kankakee County, Illinois to Fort Saskatchewan, Alberta, totalling approximately 2,452 kilometers. The Cochin pipeline system, which transports light hydrocarbon liquids (primarily to be used as diluent to facilitate bitumen transportation), traverses two provinces in Canada and four states in the United States. The Canadian Cochin pipeline system is comprised of 999 kilometers of pipeline and includes 38 block valves and ten pump stations. While the U.S. portion of Cochin is not part of the Business, the U.S. portion of Cochin and the Canadian Cochin pipeline system are interdependent (including with respect to volumes shipped and financial and contractual obligations) and, as the bulk of the tariffs on the Cochin pipeline system are governed by a joint international tariff, revenue is shared between the U.S. portion of Cochin and the Canadian Cochin pipeline system.



In 2014, Kinder Morgan reversed the western leg of the Cochin pipeline system (which was previously used primarily to ship propane into the United States) to begin moving light condensate westbound from the Kinder Morgan Cochin terminal in Kankakee County, Illinois, to terminal facilities near Fort Saskatchewan, Alberta (the "**Cochin Reversal Project**"). The Cochin pipeline system is currently capable of transporting approximately 95,000 barrels per day of light condensate (constrained by the U.S. portion of the Cochin pipeline). If additional receipt points in Canada are established, and future demand supports it, throughput on the Canadian Cochin pipeline system has the potential to reach approximately 110,000 barrels per day. This additional volume would most likely come from the Bakken oil play in North Dakota.

KMCU is the operator of the Canadian Cochin pipeline system, which is operated and maintained by Canadian staff located at the KMCU regional and local offices in Wainwright, Alberta and Regina, Saskatchewan. KMCU is also the holder of the NEB certificates for the Canadian Cochin pipeline system.

Customers and Contractual Relationships

The Cochin pipeline system has three primary customers who, among them, have total contractual take-or-pay commitments of 85,000 barrels per day. These customers have investment grade credit ratings and financial capacity that supports their long-term contractual commitments, which expire in 2024. The take-or-pay commitments obligate the committed shippers to make payments based on their contractual volume commitments, regardless of actual throughput. The joint international tariff rate is adjusted annually in accordance with the standard FERC methodology for escalating indexed rates for petroleum products pipelines. The Cochin pipeline also offers transportation under: (i) a volumes incentive rate (available to certain committed shippers who ship above their contractual commitments in a calendar year), (ii) an uncommitted joint rate, as well as (iii) local uncommitted U.S. and Canadian rates.

Competition

Diluent used in Canada is primarily supplied by local production in Canada (both conventional and unconventional condensates, as well as refinery light naphtha) and imports from the United States. Historically, as production of bitumen in Canada increased, local Canadian diluent sources were insufficient to meet demand. First imports to Canada were by rail; however, rail transport of diluent has a higher cost basis than transport via pipeline and is thus limited to areas that do not have access to pipeline transportation. In 2014, the Cochin Reversal Project came online, bringing in an additional 95,000 barrels per day of pipeline import capacity and offering a low all-in cost for transportation of diluent to the Alberta oil sands. While Cochin is exposed to competition from other pipeline systems that are capable of transporting significant volumes of diluent, Cochin's delivery point in Fort Saskatchewan has a low gravity diluent pool and a high level of connectivity, thereby making Cochin an attractive mode of shipping diluent. As evidence of this, Cochin had an approximate 89% utilization rate for 2016.

Potential Growth Opportunities

With the projected continuing growth of Canadian bitumen production, U.S. diluent imports are expected to remain an integral part of bringing Canadian bitumen to market (Source: CAPP 2016 Crude Oil Forecast, Markets and Transportation 2016-0007). The Cochin pipeline system has an additional 15,000 barrels per day of capacity on the Canadian section of the pipeline due to a higher pressure rating in Canada. While Cochin would need to loop its line to be in position to expand its capacity to greater than 110,000 barrels per day, the Business is currently evaluating a number of other opportunities to utilize the existing 15,000 barrel per day capacity through the addition of new connections to Cochin. Future projects that the Business may undertake, should conditions warrant, include, among others, the addition of a new delivery point to the Plains Midstream Canada storage facility in Fort Saskatchewan, the addition of a new receipt point near Kankakee County, Illinois from Marathon Pipe Line LLC's Wabash pipeline, the construction of a truck facility in Maxbass, North Dakota and the reactivation of a connection with Plains Midstream Canada's Steelman, Saskatchewan facility. Other than as disclosed in this prospectus, no definitive decisions have been made with respect to any material growth projects within the Pipelines segment. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May Be Inhibited, Delayed or Stopped*".

Terminals

In addition to its pipeline assets, the Business is supported by a network of strategically located terminal facilities in Western Canada, including the largest merchant terminal position in the Edmonton, Alberta market. This merchant terminal position is underpinned predominantly by fee-based services without direct commodity price exposure, and is secured by superior market positions and contracts. See "— *Customers and Contractual Relationships*" and "— *Competition*" below.

Edmonton Area Terminals

Vancouver Wharves Terminal

Edmonton Rail Terminal

Overview of Terminals

Vancouver Wharves Terminal

Located in Vancouver, British Columbia, the Vancouver Wharves terminal ("**Vancouver Wharves**" or the "**Vancouver Wharves Terminal**") is a 125-acre bulk marine terminal facility that annually transfers over 4.0 million tons of bulk cargo and 1.5 million barrels of liquids predominantly to offshore export markets. The Vancouver Wharves Terminal, which has been in operation since 1959, was acquired by Kinder Morgan in 2007. This acquisition included securing a 40-year operating lease and asset ownership agreement with the British Columbia Railway Company for the terminal uplands. Vancouver Wharves also holds a corresponding water lot lease agreement with Port Metro Vancouver to support the terminal vessel loading and unloading operations with the same 40 year term.

Since the acquisition of Vancouver Wharves, Kinder Morgan has undertaken a number of projects designed to improve and expand the terminal: in June 2013, it sanctioned the construction of a zinc concentrate truck load out facility; in April 2014, approval was received to expand the terminal's lead concentrate interior shed walls; in March 2015, upgrading work commenced on the sulphur load out facility; and in June 2015, project approval was received to upgrade the terminal's grain handling facility. The Vancouver Wharves Terminal currently has 1.0 million tons of bulk storage capacity, 250,000 barrels of petroleum storage and facilities that can house up to 325 rail cars. The terminal assets include four berths capable of handling Panamax-size vessels. The main export products at Vancouver Wharves are sulphur, copper concentrates, diesel, jet fuel, bio-diesel, wheat and canola seed, while the most significant import products at Vancouver Wharves are zinc and lead concentrate. With good connectivity through the recently expanded Vancouver North Shore rail gateway corridor and connections with three Class 1 rail companies serving the area (CN, CP and BNSF) as well as all major highway routes in western Canada, Vancouver Wharves continues to provide a safe and efficient link for customers' supply chain connectivity for water borne trade to global markets.

Edmonton South Terminal

The Edmonton South terminal is a merchant tank terminal located in Sherwood Park, Alberta (the "**Edmonton South Terminal**"). As noted above, the assets currently making up the Edmonton South Terminal are embedded within the Edmonton Terminal, are owned by Trans Mountain and are operated by KMCI, for and on behalf of KM Canada North 40. A long-term leasing arrangement with Trans Mountain governs the merchant use of the tanks by KM Canada North 40. The first phase of the Edmonton South Terminal, comprised of nine merchant tanks, was put into service throughout 2013 and 2014. As part of a phase two expansion, an additional four tanks and associated infrastructure were constructed and placed in service in 2014. In connection with the Edmonton Rail Terminal project, a final two tanks were brought into service at the Edmonton South Terminal at the end of 2014. In total, the assets comprising this facility consist of 15 tanks with a total storage capacity of approximately 5.1 million barrels and associated outbound pumps, meters and pipe connections to other facilities. As a result of the completion of the TMPL expansion, Trans Mountain currently expects to recall two of the tanks in merchant service at the Edmonton South Terminal by the end of 2019, comprising between approximately 700,000 and 800,000 barrels of total storage capacity. The NEB approved agreement specifies that if additional tanks are identified as needed for TMPL for regulated purposes, more tanks can be recalled upon 24-months notice. As the use of the recalled tanks will be included in the overall tolls charged on the expanded TMPL, such tanks will no longer generate the incremental revenue realized through leases to external customers. As such, the recall is expected to result in a decrease in the net cash earnings attributable to the Edmonton South Terminal. See "*Trans Mountain Pipeline System, Terminals and Related Pipelines — Trans Mountain Terminals — Edmonton Terminal*" above.

The Edmonton South Terminal provides significant optionality for customers through its diverse suite of inbound and outbound pipeline connections, including access to the vast majority of crude types in Alberta. All tanks at the terminal are in crude oil service and each tank has the flexibility to handle all products that are connected to the terminal, including in-tank mixing and outbound blending of multiple products. In addition to its connection to the Edmonton Rail Terminal and the North 40 Terminal, the Edmonton South Terminal has significant pipeline connectivity. The Edmonton South Terminal has 14 major inbound pipeline connections from throughout Alberta and two major outbound pipeline connections, which allow customers to ship their products west, east or south. In addition to its position within the larger Trans Mountain Edmonton Terminal, the Edmonton South Terminal is, similarly, adjacent, or in close proximity, to the starting point of the Enbridge Inc. cross-continent crude oil pipeline system, the North 40 Terminal, the Suncor Energy Inc. Edmonton refinery, the Keyera Edmonton terminal, the Keyera Alberta Envirofuels plant, the Gibson Energy Inc. Edmonton terminal, the Plains Midstream Canada Edmonton Strathcona terminal and the Imperial Oil Strathcona refinery. Customers utilizing the Edmonton South Terminal tanks have the option of direct injection into the TMPL mainline or utilizing any of the other outbound connections available at the terminal.

North 40 Terminal

Located in Sherwood Park, Alberta, immediately adjacent to the Edmonton South Terminal, the nine tank North 40 terminal facility (the "**North 40 Terminal**"), in service since March 2008, provides merchant storage for crude oil products. This approximately 2.15 million barrel facility is comprised of eight 250,000 barrel tanks and one 150,000 barrel tank. The North 40 Terminal has a highly diverse suite of eight inbound pipeline connections (which is anticipated to increase to ten inbound pipeline connections by 2018), including access to the vast majority of crude types in Alberta, and five outbound connections. In addition to its pipeline connections which allow customers to ship their products west, east or south, the North 40 Terminal is connected to the Alberta Crude Terminal (as described below), the TMPL system, a local refinery and a third-party midstream facility. All tanks at the terminal are in crude oil service and have the flexibility to handle all products that are connected to the terminal, including in-tank mixing of multiple products. The North 40 Terminal is operated by KMCI, for and on behalf of KM Canada North 40.

Edmonton Rail Terminal

In December 2013, Kinder Morgan and Imperial Oil announced the formation of a 50-50 unincorporated joint venture to build the Edmonton Rail terminal (the "**Edmonton Rail Terminal**") with an initial capacity of 100,000 barrels per day. By August 2014, the joint venture had entered into firm, take-or-pay agreements with strong, creditworthy major oil companies. These contracted commitments allowed for an expansion of the Edmonton Rail Terminal to add incremental capacity of 110,000 barrels per day, for a total of 210,000 barrels per day. The terminal was constructed by Kinder Morgan, placed in service in April 2015 and is currently operated by an affiliate of KM Canada North 40.

The Edmonton Rail Terminal capacity at start-up in 2015 was approximately 210,000 barrels per day, making the terminal the largest origination crude by rail loading facility in North America. The terminal is connected via pipeline to the Edmonton South Terminal and is capable of sourcing all crude streams that are handled for delivery by rail to North American markets and refineries. The terminal connects to both the CN and CP railway networks and can hold up to four unit trains on-site (two loading and two staged), load unit trains of up to 150 rail cars per train and load two trains with the same or differing products simultaneously. Trains are loaded at the Edmonton Rail Terminal through a 38 spot dual sided rack (76 loading spots in total). Upon the completion of the construction of the Base Line Terminal, the Edmonton Rail Terminal, through its connections with the Edmonton South Terminal and the Base Line Terminal, will have access to the approximately 9.9 million barrels of crude oil capable of being stored at such terminals.

Alberta Crude Terminal

An unincorporated joint venture between an affiliate of KM Canada North 40 and Keyera, this crude oil rail loading facility is located in Sherwood Park, Alberta and operated by Keyera (the "**Alberta Crude Terminal**"). The Alberta Crude Terminal construction project was sanctioned in July 2013 and placed in service in November 2014. The terminal is fully contracted and is served by the CN and CP railway networks. This terminal has approximately 40,000 barrels per day of manifest crude oil rail loading capacity as well as capacity for 250 rail car storage spots, which assist in the efficient manifest movement of the railcars loaded at the facility. Upon the completion of the construction of the Base Line Terminal, the Alberta Crude Terminal, through its connections with the North 40 Terminal and the Base Line Terminal, will have access to the approximately 7.0 million barrels of crude oil capable of being stored at such terminals.

Base Line Terminal

Announced in March 2015, the Base Line Terminal is a second 50-50 unincorporated joint venture between an affiliate of KM Canada North 40 and Keyera (the "**Base Line Terminal**"). The Base Line Terminal will be a merchant crude oil storage terminal located on land at Keyera's Alberta Enviro Fuels facility in Sherwood Park, Alberta. Construction commenced on this project in the second half of 2015. The initial build is expected to have 12 tanks with a total capacity of 4.8 million barrels and, with 12 tanks expected to be placed in service throughout 2018. KM Canada North 40's total capital cost contribution for the Base Line Terminal is expected to be approximately $374 million. This project is supported by multiple long-term customer contracts that will draw revenue streams and associated risks that are similar in nature to those for the existing terminals near Edmonton. See "— *Customers and Contractual Relationships*" and "— *Competition*" below.

Upon completion, the Base Line Terminal is expected to have some of the best tank terminal connectivity in Canada, with a diverse suite of ten inbound pipeline connections, including access to the vast majority of crude types in Alberta and six outbound connections, including both pipeline and rail. This terminal will leverage off of the existing North 40 Terminal by using transfer lines to facilitate product transfer between terminals via a highway overhead pipeline bridge in Strathcona County. In addition to its pipeline access, the Base Line Terminal will also be connected to the Alberta Crude and Edmonton Rail Terminals. All tanks at the terminal will be in crude oil service and have the flexibility to handle all products that are connected to the terminal, including in-tank mixing and outbound blending of multiple products. The Business is expected to have more than 14.9 million barrels of total storage (including regulated tankage) capacity in the Edmonton area upon completion of the Base Line Terminal.

Customers and Contractual Relationships

The Terminals business services over 20 liquids customers, made up of a diverse mix of production, refining, marketing and integrated companies, and over 12 bulk customers at any given point in time. Approximately 75% (by revenue dollar amount) of these customers have, or their parent entity has, an investment grade credit rating (however parent entities may not be guarantors). The Business' top three Terminals customers account for approximately 45% of total Terminals revenue and the top ten Terminals customers account for approximately 75% of total Terminals revenue.

The majority of the Vancouver Wharves Terminal capacity is contracted under long-term, take-or-pay terminal service agreements. For the most part, the terminal service agreements contain annual minimum volume guarantees and/or service exclusivity arrangements under which customers are required to utilize the terminal for all or a specified percentage of their production for exports. While the Business' contractual arrangements at Vancouver Wharves are typically shorter in duration than those for its other Terminals assets (with Vancouver Wharves' average term being approximately four years), customers have, historically, opted to renew their contractual arrangements with Vancouver Wharves. The majority of the Vancouver Wharves revenue originates from customers that have been using the Business' terminal services for over five years and, including term extension options, a number of the Business' major long-term contracts at the Vancouver Wharves Terminal could be extended out through 2039 and 2045.

Each of the Edmonton South, North 40, Edmonton Rail, Alberta Crude and Base Line Terminals are contracted under long-term, take-or-pay agreements with terms between two and 20 years and an average term of ten years. As at December 31, 2016, the remaining life of the contracts at the Business' terminals in Edmonton, Alberta ranged between approximately one and 18 years, with an average contract life of six years. The rates charged for the Terminals segment terminals' services are market-based and the majority of the fees charged at the Alberta-based terminals are fixed, regardless of the volumes actually handled. Over 90% of the total revenue of the Edmonton South, North 40, Edmonton Rail, Alberta Crude and Base Line Terminals is, or will be, derived from guaranteed take-or-pay contracts while the remaining is, or will be, derived from throughput in excess of contracted minimums as well as ancillary terminalling and connection services delivered, which are driven by the demand for the crude oil that is being handled and stored. One of the current contractual arrangements, which accounts for a significant source of revenue at the Edmonton Rail Terminal, will expire in 2020. This contract is subject to a right of renewal on very favourable terms for the customer and, as a result, revenue from the Edmonton Rail Terminal is expected to decline following such renewal.

Competition

Vancouver Wharves is currently the largest mineral concentrate export and import facility on the west coast of North America. With respect to its liquids operations, Vancouver Wharves is the only merchant terminal for import and export distillates in Port Metro Vancouver. Competing liquids facilities are significantly smaller than Vancouver Wharves and Vancouver Wharves enjoys a superior and highly flexible dock, better storage, berth depth and ship loading capacity and unsurpassed rail access, when compared to the assets of the liquids terminal competitors. In terms of bulk products handling competition, significant capital investment and regulatory approval requirements are barriers to entry for new bulk or liquid handling terminals on the West Coast. While there are currently a number of potential competitive grain terminal projects contemplated or underway which may increase the competitive pressures on the Vancouver Wharves grain business, as a result of the Vancouver Wharves berth depth, rail access and location, the Company believes that the grain business will be able to maintain its strong competitive position. In addition, Vancouver Wharves enjoys a distinct advantage in the mineral concentrates business as it is one of only three facilities on the west coast of North America that is currently permitted to handle these commodities. Given this fact, along with its strategic location, Vancouver Wharves is well positioned to retain its current business and attract new concentrate business dependent on mine location. Sulphur competition is limited as Vancouver Wharves currently contracts with the owner of the only other sulphur terminal in Port Metro Vancouver.

Edmonton and Hardisty, Alberta are the two primary crude oil hubs in Canada, with a significant majority of crude gathering pipelines feeding into the Edmonton area, and the TMPL system and the Enbridge Mainline System originating from Sherwood Park. While limited land availability and the significant capital investment required to enter this business are significant barriers to entry, the Alberta-based Terminals are subject to competition from other truck and rail terminals and storage facilities which are either in the general vicinity of the facilities or have gathering systems that are, or could potentially extend into, areas served by the Alberta-based terminals. The Alberta-based Terminals currently enjoy a leading market position in the Edmonton hydrocarbon storage and rail transporting business. The Terminals' assets located in Alberta have excellent inbound and outbound connectivity, both in terms of the facilities to which these terminals are connected and the diversity of product that may be stored and transported by them. In addition to the considerable market access offered to customers via pipeline, through its Alberta Crude Terminal and Edmonton Rail Terminal origination crude-by-rail loading facilities, the Alberta-based Terminals are able to offer customers the flexibility to move crude oil to markets without pipeline access, supplement deliveries to markets with constrained pipeline capacity and supply different or unique crude types to refineries looking to maintain quality. Revenues from the Terminals business are largely fixed and generally not subject to short term fluctuations in oil and gas market prices; however, as with the rest of the Business, as the long-term terminals contracts expire, while fees for tankage are generally expected to increase on renewal, the storage and handling services of the Terminals segment's terminals will have additional exposure to the longer-term trends in supply and demand for oil and gas products.

Potential Growth Opportunities

The Terminals segment routinely explores opportunities for growth in its Terminals business. In addition to its growth projects currently underway, there is potential for the Base Line Terminal to expand its operations in the future to include up to six additional tanks and add additional inbound and outbound connections. Vancouver Wharves has one of the last remaining parcels of land available for development in Port Metro Vancouver and the Terminals segment is currently exploring potential opportunities for this available land. To date, approximately $250 million worth of potential capital projects (excluding projects that have been internally sanctioned and are proceeding, as discussed elsewhere in this prospectus) have been identified by the Business and are in various stages of evaluation and/or development. Other than as disclosed in this prospectus, no definitive decisions have been made with respect to any material growth projects within the Terminals segment. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May Be Inhibited, Delayed or Stopped*".

Operations Management of the Business

Safety, compliance and protection are the key components of the OMS of the Business, a management system capturing important operational expectations in areas such as physical operations, engineering, environmental compliance, asset integrity, efficiency, quality, and project management.

Across its operations, the Company strives to provide for the safety of the public, its employees and contractors; protect the environment; comply with applicable laws, rules, regulations, and permit requirements; and operate and expand efficiently and effectively to serve the stakeholders and customers of the Business. The OMS plays a critical role in setting the objectives and expectations for all these activities and individual business unit operations, maintenance procedures, and site-specific procedures are designed to meet these objectives and expectations.

The Business is committed to its operational goals, which include risk reduction, efficiency and productivity, effective expansion and integration, quality assurance, and a culture of excellence. These goals are embedded into the Business and its operations. The operations of each business unit are as unique as the regulatory and commercial environments in which they operate.

As federally regulated businesses, the Canadian Cochin pipeline system, the TMPL system and the Edmonton South Terminal are regularly audited by the NEB. Concerns identified in NEB audits are addressed through a comprehensive Corrective Action Plan approved by the NEB that remains in place until all items are completed. The Business is committed to continually improving pipeline and facility integrity to protect the safety of the public, the environment, and company employees. The Company is dedicated to being a good corporate citizen by incorporating responsible business practices and conducting the Business in an ethical manner.

Additionally, the Business has implemented an Integrated Safety and Loss Management System ("**ISLMS**") which is designed for establishing, implementing and continually improving the Business' processes and controls to conduct business in a safe, secure, environmentally responsible and sustainable manner. The ISLMS applies to activities involving the design, construction, operations and abandonment of certain pipelines and terminals systems, including the Trans Mountain, Jet Fuel, and Puget Sound pipeline systems and certain Terminals assets in Alberta. Through its procedures, this system helps provide for appropriate satisfaction of NEB regulations and efficient, safe operations in an integrated, systematic and comprehensive manner.

Employees

At the head office located in Calgary, Alberta, a total of 162 staff service the Business. Non-union Canadian employees are employed by KMCI and provide services to each of the Canadian operating assets. On the current TMPL system, 90 staff are employed in Alberta in Edmonton, Stony Plain, Edson, and Jasper. Through central British Columbia in the towns of Blue River, Clearwater, and Kamloops, an additional 33 operations personnel maintain the pipeline, while in southern British Columbia, 58 staff are located in Hope, Sumas and Burnaby. Seventeen staff are dedicated exclusively to work on the Canadian Cochin pipeline system and are primarily located in the two most critical strategic locations along the pipeline. With respect to the Terminals business, the Business currently employs 21 staff at the Edmonton Rail Terminal, one staff at the Base Line Terminal and 57 staff at Vancouver Wharves.

With respect to the operation of Vancouver Wharves, KM Canada Terminals is a member of the British Columbia Maritime Employers Association which is party to collective agreements with the International Longshore and Warehouse Union — Canada (the "**Longshore CBA**") and the International Longshore and Warehouse Union Ship and Dock Foreman Local 514 (the "**Foremen CBA**"). Each of these collective bargaining agreements expire in March 2018. Under the Longshore CBA, 160 longshoremen supplement the non-unionized workforce employed by KMCI at the Vancouver Wharves Terminal. Under the Foremen CBA, 26 foremen are similarly provided at that location.

In addition to its permanent staff, KMCI is party to a general service contract with Roevin Technical People, a division of Adecco Employment Services Limited ("**Roevin**"), whereby Roevin provides services relating to the administration of term employees and independent contractors for KMCI. Currently, Roevin manages 222 personnel for KMCI, 105 of which are temporary employees. These contracted employees augment the KMCI workforce and are utilized throughout the Business.

Safety and Emergency Management

In the Business' operations, its operators maintain programs designed to safeguard the health and safety of employees, contractors and the general public, including through comprehensive health and safety programs that address risk assessment and monitoring, capability, development, emergency response plans, systems for incident investigation and tracking, and employee evaluation. The Company believes these safety programs meet or exceed the standards set by the Canadian energy infrastructure industry and applicable government regulations. The Business has a strong operating and safety track record, with no reportable right of way releases since 2013. See "*The Business — Investment Highlights — Strategic sponsorship with aligned industry-leading operator*".

The integrity of each of the TMPL system and the Canadian Cochin pipeline system are regularly monitored using in-line inspection tools. These devices inspect the pipeline from the inside and can identify potential anomalies or changes to the condition of the pipe. The collected data is analyzed to find locations where further investigation is required. If necessary, a section of the pipe is exposed and assessed by qualified technicians so that it can be repaired or replaced.

Each of the TMPL system (including the Puget Sound and Jet Fuel pipeline systems) and the Cochin pipeline system has its own control centre wherein CCOs monitor pipeline operations and operating conditions 24 hours a day, seven days a week using the sophisticated SCADA computer system. This electronic surveillance system gathers and displays such data as pipeline pressures, volume and flow rates and the status of pumping equipment and valves. Alarms notify CCOs if parameters deviate from prescribed operating limits. Both automated and manual valves are strategically located along the pipeline system to enable the pipeline to be shut down immediately and sections to be isolated quickly, if necessary. In the event of a precautionary shutdown of the pipeline there is a formal protocol related to restarting the pipeline. This protocol includes analysis of SCADA and leak detection system data, aerial or foot patrols of the pipeline as appropriate, completion of any inspections or repairs, notifications to regulators, and development of a restart plan.

Similarly the Business' Terminals have been built with sophisticated technology and incorporate safety and environmental protection features. In Alberta, the Strathcona District Mutual Assistance Program, assists with emergency planning and tests of the emergency preparedness of the Business' terminals in the Edmonton area. Each of the Terminals facilities, as described under "— *Terminals*" above, are staffed with trained personnel 24 hours a day, seven days a week.

Pipeline rights-of-way are regularly patrolled by both land and air. Any observed unauthorized activity or encroachment is reported and investigated. The Business has a public awareness program for each of its pipelines that is designed to create awareness about pipelines, provide important safety information, increase knowledge of the regulations for working around pipelines, and educate first responders and the public on the Business' emergency preparedness response activities.

Operations staff are trained to maintain the Business' pipelines and to respond in the event of a spill or other safety related incident along each pipeline route.

The Business maintains comprehensive emergency management plans and actively maintains emergency response capabilities across its operations. The Business takes an all-hazards approach to preparedness and uses the ICS to manage incident response. ICS is widely used by the public safety agencies with whom the Business may need to coordinate a response. It provides a standardized management structure that allows ready integration of public safety agencies and regulators into a unified response organization.

As part of its integrated safety and loss management program, Trans Mountain maintains an EMP. The EMP is a is a comprehensive set of policies, procedures and processes designed to support its commitment to the safety and security of the public, employees, workers, company property and the environment. The EMP is an all-hazards emergency management program of mitigation, preparedness and response designed to provide a continuous cycle of improvement as mandated by the NEB Onshore Pipeline Regulations. Emergency response plans are constantly being updated to keep them current. The plans are location specific, identify locations of emergency response materials and equipment and are regularly practiced through field deployment exercises.

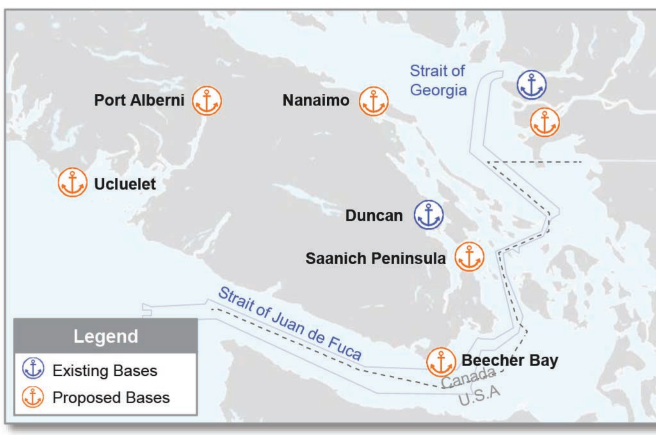
Caches of mobile equipment are located along the Trans Mountain pipeline system to minimize response time. These caches typically include river boats and response trailers equipped with booms, pumps and liquid storage. Trans Mountain also provides training sessions to first responders along the TMPL system. These sessions, along with regular exercises, provide Trans Mountain with the opportunity to maintain working relationships with first responders and to facilitate mutual awareness of response programs.

Trans Mountain is a member and shareholder of both WCSS and WCMRC, respectively. WCSS maintains caches of oil spill response equipment in western Canada to augment the resources of member companies. WCMRC is the Transport Canada-certified spill response organization for the West Coast of Canada. While WCMRC's primary role is to respond to ship and terminal based oil spills, Trans Mountain maintains its position as a shareholder with respect to both the Westridge Marine Terminal and the pipeline. Trans Mountain also participates in mutual assistance agreements with Canadian Energy Pipeline Association member companies, the Strathcona District Mutual Assistance Program, the Kamloops Fire Department and the Burnaby Industrial Mutual Aid Group, which consists of the petroleum terminals operating in Burnaby, British Columbia.

While the Business does not own, operate or control the vessels that call at the Vancouver Wharves Terminal or the Westridge Marine Terminal, it is an active member of the maritime community and works with maritime agencies to promote business practices and facilitate improvements to provide for the safety and efficiency of tanker traffic in the Salish Sea.

In addition to the Business' own rigorous screening process and terminal procedures, vessels calling at Westridge and Vancouver Wharves must operate according to rules established by the International Maritime Organization, the Government of Canada through Transport Canada, the Pacific Pilotage Authority, and Port Metro Vancouver. Under this regime there is a well-established system to provide for maritime safety in the Salish Sea, including established shipping lanes and aids to navigation, various inspection methodologies, coordinated vessel traffic monitoring, mandatory tug escort for laden tankers and mandatory pilotage with two pilots on the bridge of laden tankers. In addition, such vessels must maintain their membership in a mandatory spill response regime.

Trans Mountain, along with Suncor Energy Inc., Imperial Oil, Chevron Canada R&M ULC and Shell Canada Products, are shareholders of the WCMRC, Canada's West Coast-certified response organization responsible for emergency response preparedness which is on call 24 hours a day, seven days per week, to manage oil spill response on the British Columbia coast. To address changes in maritime shipping that will result from the Trans Mountain Expansion Project, the WCMRC has agreed to implement an enhancement program to increase its response capacity in the Salish Sea. These enhancements, including the five new bases along the transit route illustrated below, will satisfy certain of the NEB conditions for the Trans Mountain Expansion Project and double capacity and half response times relating to the existing planning standards under which the WCMRC operates. In addition, the vessel acceptance process will require tankers to engage in an extended tug escort with new larger tugs being required for the Juan de Fuca Strait. The improvements to be implemented in connection with the commitments made by Trans Mountain, including spill response capacity enhancements, are expected to build upon the existing systems to result in an overall level of marine safety that exceeds globally accepted standards. See "*— Trans Mountain Pipeline System, Terminals and Related Pipelines — Trans Mountain Terminals — Westridge Marine Terminal*" and "*— Terminals — Overview of Terminals — Vancouver Wharves Terminal*" above.



Engaging Communities

The Company believes that the Business' neighbours as well as governments and Aboriginal communities play an important role in how the Business should be conducted and that success depends on earning the trust, respect and cooperation of such groups.

In addition to cooperating with various government initiatives including abandonment trusts and the federal government's $1.5 billion ocean protection plan, Trans Mountain participates in Canadian Energy Pipeline Association work groups, Integrity First and is a party to the Canadian Energy Pipeline Association mutual aid agreement. In addition, the Pipelines segment has established relationships with landowners, neighbours, and communities along its pipeline corridors. The Business' pipelines cross private properties as well as public lands. Agreements are in place with landowners that have allowed the Business to build and operate its existing pipelines. The Business values its ongoing and positive relationships with landowners and neighbours in communities along its pipeline routes and is committed to respectful, transparent and collaborative interactions with them to develop long-term effective relationships.

The Terminals segment has developed working relationships with key governmental authorities, regulatory bodies and local stakeholders, including the AER, Alberta Transport, Strathcona County, the City of Edmonton, the District of North Vancouver, Transport Canada, Port Metro Vancouver and the Longshore CBA. The Business has had the opportunity to engage with the public on its new terminals and terminal expansion projects and has welcomed the opportunity to discuss the Business' growing terminals business with the communities in which it has facilities. The Terminals segment's open engagement with the communities in which it operates, along with its productive relationships with applicable regulators, has historically helped to facilitate receipt of the permits required to successfully grow and operate the Terminals segment, including, most recently, its successful agreement with both Alberta Transport and Strathcona County to build Strathcona County's first highway overhead pipeline bridge.

In connection with the Business' commitment to developing strong relationships with the communities in which it operates, the Business routinely hosts facility open houses, provides newsletters and project updates, makes safety and public awareness presentations and participates in community events.

As the TMPL system operates in certain Aboriginal territories and reserve lands, the Business recognizes and appreciates the many unique and diverse interests of Aboriginal groups. As such, the Business is committed to open, transparent dialogue and creating mutually beneficial working relationships with these groups. With respect to the Trans Mountain Expansion Project process, the Business views the Crown's obligation for Aboriginal consultation as an opportunity to demonstrate recognition and respect for the constitutionally protected rights held by Aboriginal groups. Accordingly, numerous Aboriginal communities have entered into mutual benefit agreements agreeing to support the Trans Mountain Expansion Project and over the last five years, Trans Mountain has had more than 40,000 engagements with 133 separate Aboriginal communities with respect to the Trans Mountain Expansion Project and remains committed to continuing this engagement through the entire life of the project.

Environmental Stewardship

As a long-time industry and community member, the Business is committed to working with residents, regulatory authorities, and other stakeholders on environmental initiatives. Recent examples of the Business' commitment to preserving and protecting the environment include Trans Mountain's Raft River erosion protection and stabilization project; the Stoney Creek salmon habitat restoration; and a commitment by Trans Mountain to contribute to the planting of 13,000 trees for the purpose of offsetting CO_2 emissions. In addition, KMCI was awarded an Emerald Award in 2010 for the excellent environmental initiatives associated with the Anchor Loop expansion project.

Regulatory Environment

Canadian Regulation

National Energy Board

Both the TMPL system and the Canadian Cochin pipeline system are primarily regulated by the NEB. The NEB, pursuant to the terms of the NEB Act, regulates the tolls and tariffs governing these pipeline systems, as well as the physical construction, operation and abandonment of the associated pipelines and facilities.

Tolls are either determined on a contested application to the NEB or through a negotiated toll settlement between the operator and interested parties, which settlement must subsequently be approved by the NEB. With respect to its approvals of these tolls, the NEB generally allows companies to recover costs of transporting shipper's products and earn a reasonable return of capital and return on equity. However, all tolls must comply with the governing regime under the NEB Act which requires that tolls: (i) be just and reasonable; (ii) always, under substantially similar circumstances and conditions with respect to all traffic of the same description carried over the same route, be charged equally to all persons at the same rate; and (iii) not result in unjust discrimination. Generally, the NEB approves each pipeline's cost of service and tolls on a yearly basis, and will allow for the recovery or refund of the variance between actual and expected revenues and costs in future years. As described above, the TMPL system currently operates under a fixed toll arrangement for its transportation services.

In addition to rate regulation, the NEB regulates all phases of a pipeline's operational life-cycle, from the planning and application phase of a project through to the deactivation, decommissioning or abandonment of a project. Where necessary, the NEB can issue mandatory compliance or remediation orders or use other appropriate tools to enforce its requirements, including, among other things, issuing fines and monetary penalties. The NEB is also responsible for conducting environmental assessments for certain projects that it regulates in accordance with the requirements of the *Canadian Environmental Assessment Act*, *2012*.

In the planning and application assessment phase of a project, the NEB is responsible for assessing whether the project is in the national public interest and can be built and operated safely and in a manner that protects the public and the environment. The NEB assessment includes a review of the design, construction and proposed operations of the pipeline as well as an evaluation of the potential risks posed to people or effects on the environment by the project plans and whether these risks will be prevented, managed and mitigated through appropriate planning. Where a Certificate of Public Convenience and Necessity is required, the NEB will undertake its assessment and, if it finds that the project is in the public interest, make a recommendation to the Governor in Council that the project be approved subject to any conditions that might be appropriate to mitigate any potential project-related risks and effects. If the Governor in Council accepts the NEB's recommendation and approves the project, the NEB is then required to issue a Certificate of Public Convenience and Necessity to authorize construction and operation. After the NEB issues its approval, it will review compliance with all conditions that must be satisfied prior to construction. In addition, for projects that require a Certificate of Public Convenience and Necessity, the NEB must review and approve the detailed route for the pipeline (called the Plan, Profile and Book of Reference). Parties affected by the detailed route are entitled to a detailed route hearing if they object to the detailed location, methods or timing of construction activities. The pipeline company may also apply to the NEB for a right-of-entry approval to acquire land rights if it is unable to acquire the rights through direct negotiation with the landowner.

During the construction phase of a project, the NEB monitors and verifies compliance with its construction-related requirements and the terms and conditions of its project approval. Once construction is completed, the pipeline company must apply for leave to open the pipeline, which the NEB must approve before the pipeline can be placed in service.

With respect to assets that are in operation, the NEB monitors and verifies compliance with its operation-related requirements. The NEB will hold compliance meetings with regulated companies, conduct audits of management and protection programs and systems, inspect facilities to assess compliance with requirements, review and approve key documents and evaluate regulated company emergency response exercises for the ability to respond to an emergency. The NEB requires pipeline companies to have integrity management programs in place to ensure the physical condition of the asset is monitored and maintained so that releases do not occur. In addition, pipeline companies must have an EMP that anticipates, prevents, manages and mitigates conditions during an emergency that could adversely affect property, the environment, or the safety of workers or the public, as well as incident first-responders. In the case of a pipeline emergency, the NEB will monitor and assess a company's emergency response, investigate the incident, initiate enforcement actions as necessary and oversee remediation actions.

In the deactivation, decommissioning or abandonment of a project, the NEB will assess whether the applied-for plan can be conducted safely and whether risks to people or the environment can be reduced or avoided. The NEB currently requires holders of an authorization to operate a pipeline under the NEB Act to file a proposed process and mechanism to set aside funds to pay for future abandonment costs in respect of the sites in Canada used for the operation of a pipeline and associated facilities. While a pipeline company bears the ultimate responsibility for the full cost of the abandonment attributable to its assets, upon receipt of approval from the NEB, companies are able to recover certain of these abandonment costs from users of the applicable pipelines. As at the date hereof, Kinder Morgan has received approval to recover its estimated future abandonment costs from shippers on all of its NEB-regulated pipeline assets.

In June 2016, the Pipeline Safety Act, which enshrines in law the "polluter pays" principle, came into force in Canada. Under the Pipeline Safety Act, in the event that an environmental incident occurs with respect to one of the Business' pipeline assets, the Business will have unlimited liability if it is determined to be at fault or negligent. Further, in the event of any environmental incident, regardless of whether there is proof of fault or negligence by the Business, the Business will be liable for up to $1 billion in costs and damages. In connection with this "absolute liability" of up to $1 billion, the Business is required to demonstrate that it has the financial resources to meet these responsibilities (and a portion of the Business' resources need to be readily accessible to help ensure rapid incident response). In this respect, the NEB has determined that Trans Mountain must have $500 million of short term cash available for this purpose and the remainder may be met with insurance and/or other instruments and has indicated that they intend to require similar financial capacity for the Canadian Cochin pipeline system. Further, in connection with the Pipeline Safety Act requirements, among other things:

(i) the government has the ability to pursue pipeline operators for the costs of environmental damages; (ii) the NEB is authorized to order reimbursement of costs and expenses incurred by others in taking actions related to an incident; and (iii) the NEB is permitted to take control of incident response in exceptional circumstances, if a company operating a pipeline is unwilling or unable to shoulder its responsibilities. The Pipeline Safety Act also provides that a pipeline company remains liable indefinitely for any pipelines that are abandoned in place.

British Columbia Regulations

While the NEB is the primary regulator for pipelines and associated infrastructure that are interprovincial or international, such projects are also subject to elements of provincial jurisdiction. For example, in addition to the federal legislative regime that is administered by the NEB, aspects of the TMPL system are regulated by the BC OGC, which maintains certain incremental requirements with respect to, among other things, environmental management, pipeline crossings, integrity management and damage prevention.

As the Jet Fuel pipeline is located wholly within British Columbia, its operations are regulated by the BC OGC and its tolls are regulated by the BCUC. The financial regulation of Jet Fuel pipeline tolls is undertaken by the BCUC on a complaints basis, meaning that pipeline-related matters are generally dealt with between the Jet Fuel pipeline operator and the party using its services, subject to the ability to make complaint to the BCUC where a dispute cannot be resolved. The Jet Fuel pipeline is currently being operated pursuant to a contract that has been approved by the BCUC through 2018.

Climate Change and GHG Regulations

The Business generates GHG emissions through its operations, which GHG emissions are below regulatory reporting thresholds. These GHG emissions are subject to various climate change policies and regulations across North America.

Canada has committed to reduce its GHG emissions by 30% below 2005 levels by 2030. In December of 2015, Canada, along with 194 other countries reached an historic agreement to maintain global temperature increases to below two degrees Celsius (the "**Paris Agreement**"). In late 2016, Canada, along with all of its provincial and territorial governments, with the exception of Saskatchewan and Manitoba, entered into the Pan-Canadian Framework on Clean Growth and Climate Change (the "**Framework**"). Under the Framework, the federal government will require all provinces and territories to implement a carbon price, starting at $10 per tonne in 2018 and rising by $10 per year to $50 per tonne in 2022. The provinces and territories will have the flexibility to implement either price-based systems such as a carbon tax or cap-and-trade systems. Within these programs the provinces and territories will also have the discretion to manage the competitiveness of their trade-exposed industries.

In Alberta, facilities that emit less than 100,000 tonnes of CO_{2e} per annum as well as all residents are subject to a carbon tax of $20 per tonne of carbon used. This tax will increase to $30/tonne on January 1, 2018. Facilities that emit greater than 100,000 tonnes of CO_{2e} per annum are subject to the *Specified Gas Emitters Regulation* (the "**SGER**"). As of January 1, 2017, existing facilities that exceed this threshold must decrease their emissions intensity by 20% relative to their baseline emissions. If a facility is unable to decrease its emissions intensity through increases in operational efficiency, it is still able to comply with the Alberta requirements by purchasing qualifying emission offsets from other sources in Alberta or by contributing to the Climate Change and Emissions Management Fund (the "**Fund**"). The contribution cost to the Fund is currently $30 per tonne of CO_{2e}. To address the competiveness of trade-exposed sectors, the SGER will be replaced with a Carbon Competiveness Regulation in 2018.

Alberta has also enacted the *Oil Sands Emissions Limit Act* (the "**OSEL Act**") which limits GHG emissions in the oil sands sector to a maximum of 100 megatonnes per annum. The OSEL Act includes provisions for cogeneration and new upgrading facilities allowing for continued growth and optimization while accelerating emissions reduction technology.

In British Columbia the government introduced a broad-based, revenue-neutral carbon tax in 2008 on the purchase and use of fuels. Since 2012 the carbon tax has been set at $30 per tonne of CO_{2e}. In 2016 it introduced the *Greenhouse Gas Industrial Reporting and Control Act* which creates intensity-based emissions performance standards for prescribed industrial facilities and sectors.

British Columbia recently adopted a Climate Leadership Plan, which outlines more than 20 climate change action areas that will be developed by the Province. Highlights include action items to reduce GHG emissions under the following six categories: natural gas; transportation; forestry and agriculture; industry and utilities; communities and the built environment; and the public sector.

The imposition of carbon pricing is not expected to have a material direct effect on the TMPL system or the Trans Mountain Expansion Project. Existing and pending carbon taxes were considered in Trans Mountain's $7.4B cost estimate for the Trans Mountain Expansion Project and future power costs and cost impacts relating to changes in legislation included as flow-through items to shippers under the existing shipper contracts for the expanded TMPL system. In addition and as noted above, Trans Mountain has take-or-pay contracts for approximately 80% of the expanded throughput following the completion of the Trans Mountain Expansion Project. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business*".

United States Regulation

Puget Sound is a common carrier interstate pipeline subject to the regulatory authority of the FERC under the provisions of the ICA; it has tariffs on file at FERC and files quarterly and annual reports at FERC, among other regulatory requirements. Transportation by Puget Sound is of petroleum that crosses the international boundary and is delivered to refineries and/or terminals near the Washington state coast — i.e., the shipments are exclusively interstate in nature. Puget Sound is also subject to pipeline safety oversight and authority of the PHMSA. Under PHMSA procedures, the Washington Utilities and Transportation Commission has been acting as an Interstate Agent in oversight of Puget Sound under PHMSA standards. In addition, because of its status as a liquids pipeline that crosses (or, perhaps, abuts and transports across) an international border, Puget Sound may be subject to the Executive Orders requiring a Presidential Permit for certain physical changes, which are issued by the U.S. Department of State. Certain changes in facilities may require submission of an application for a Presidential Permit as to the new facilities, particularly if the facilities affect the border crossing or increase capacity.

RELATIONSHIP WITH KINDER MORGAN

The Reorganization and the Offering

The following is a summary of the principal transactions that will take place in connection with the Offering, including the acquisition by the Limited Partnership of the Business from Kinder Morgan in exchange for Kinder Morgan acquiring its indirect interest in the Limited Partnership (collectively, the "**Reorganization**") and the acquisition by the Company of its indirect interest in the Limited Partnership.

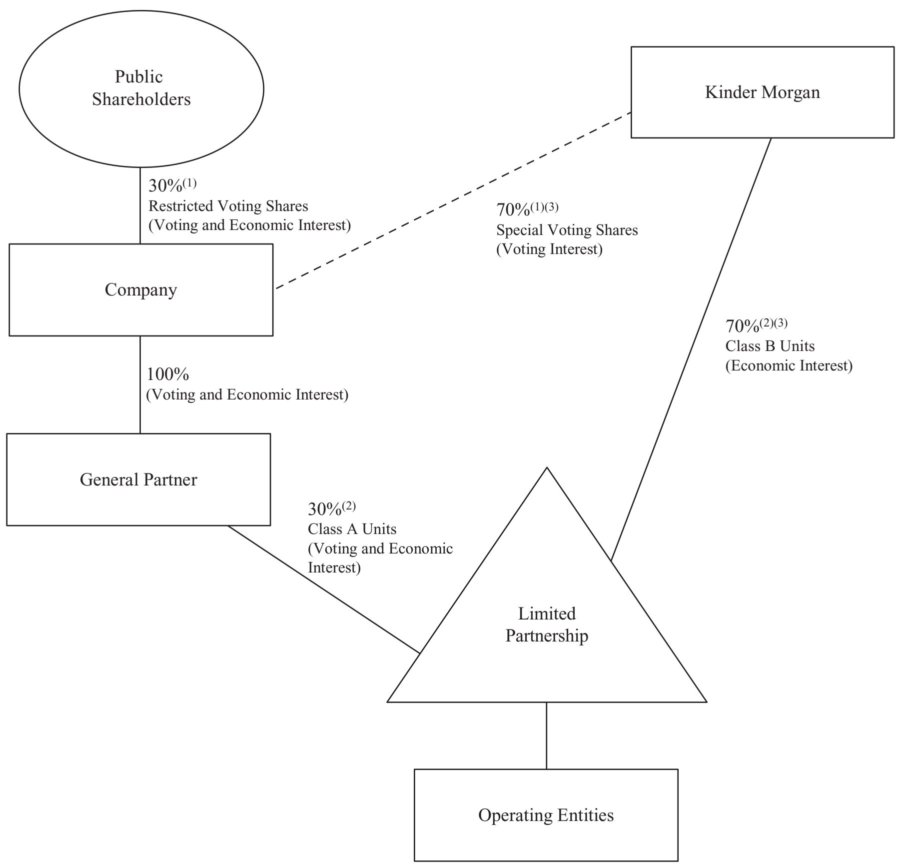
Prior to the closing of the Offering, KMCC and KM Canada Terminals (each of which is an indirect wholly-owned subsidiary of Kinder Morgan) will contribute the Business (consisting of the securities of the Operating Entities) to the Limited Partnership in return for (i) 225,800,880 Class B Units and 815,820 Class B Units of the Limited Partnership, respectively (together with 225,800,880 Special Voting Shares and 815,820 Special Voting Shares, respectively, for a nominal amount), and (ii) the Acquisition Notes in the amount of $261,557,092.44 and $945,007.56 to KMCC and KM Canada Terminals, respectively. The Acquisition Notes will be repaid by the Limited Partnership on the earlier of (a) 30 days following Closing, or (b) closing of the Over-Allotment Option, with the proceeds, if any, received by the Company from the exercise of the Over-Allotment Option being used to acquire additional Class A Units in the Limited Partnership. The Limited Partnership will use any proceeds received from the exercise of the Over-Allotment Option to repay all or a portion of the principal amount of the Acquisition Notes. Any remaining principal amount outstanding after such payment, or the entire principal amount if the Over-Allotment Option is not exercised, will be converted into additional Class B Units to be issued to KMCC and KM Canada Terminals (including associated Special Voting Shares).

In addition, prior to closing of the Offering, the Company will indirectly acquire all of the issued and outstanding shares of the General Partner for a nominal amount.

Following closing of the Offering, the Company will (indirectly through the General Partner) use the proceeds from the Offering to finance the acquisition of an approximate 30% interest (approximately 34% if the Over-Allotment Option is exercised in full) in the Business through the indirect subscription for Class A Units of the Limited Partnership. The proceeds received by the Company will be used to repay the KMI Loans and make a distribution to Kinder Morgan with any remaining proceeds. If the Over-Allotment Option is exercised in whole or in part, the Limited Partnership will use the proceeds received from the Company to repay all, or a portion of, the Acquisition Notes. Accordingly, none of the proceeds of the Offering will be retained for use by the Business.

Upon completion of the transactions described above, purchasers of Restricted Voting Shares pursuant to the Offering will hold all of the issued and outstanding Restricted Voting Shares, representing approximately 30% of the total outstanding Company Voting Shares, and Kinder Morgan, indirectly through KMCC and KM Canada Terminals, will hold all of the Special Voting Shares, representing approximately 70% of the total outstanding Company Voting Shares. Additionally, the Company will, indirectly through the General Partner, hold an approximate 30% interest in the Limited Partnership, and Kinder Morgan will, indirectly through KMCC and KM Canada Terminals, hold an approximate 70% interest in the Limited Partnership.

The Limited Partnership will own the Business. Following completion of the Reorganization and closing of the Offering, the simplified structure of the Company and the Limited Partnership, including the interest in the Limited Partnership, (and therefore the Business), held by the Company and Kinder Morgan, will be as follows:



Notes:

(1) Approximate percentages are based on ownership of total outstanding Company Voting Shares, assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, Kinder Morgan will, indirectly through KMCC and KM Canada Terminals, hold 226,616,700 Special Voting Shares (approximately 66% of the total issued and outstanding Company Voting Shares), with public shareholders collectively holding 118,383,300 Restricted Voting Shares (approximately 34% of the total issued and outstanding Company Voting Shares).

(2) Approximate percentages are based on ownership of total outstanding LP Units, assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, Kinder Morgan will, indirectly through KMCC and KM Canada Terminals, hold an approximate 66% interest in the Limited Partnership and the Company will, indirectly through the General Partner, hold an approximate 34% interest in the Limited Partnership.

(3) Held indirectly through KMCC and KM Canada Terminals.

Kinder Morgan's Ownership in the Company

Following closing of the Offering and completion of the Reorganization, assuming no exercise of the Over-Allotment Option, Kinder Morgan will own (indirectly through KMCC and KM Canada Terminals) 100% of the outstanding Class B Units, representing an approximate 70% interest in the Limited Partnership. If the Underwriters exercise the Over-Allotment Option in full, Kinder Morgan will own (indirectly though KMCC and KM Canada Terminals) 100% of the outstanding Class B Units, representing an approximate 66% interest in the Limited Partnership.

Each Class B Unit will be accompanied by a Special Voting Share, conferring on the holder voting rights at meetings of shareholders of the Company. Following closing of the Offering, assuming no exercise of the Over-Allotment Option, Kinder Morgan will own (indirectly through KMCC and KM Canada Terminals) 100% of the outstanding Special Voting Shares and will be the largest voting shareholder of the Company with approximately 70 % of the total outstanding Company Voting Shares. If the Underwriters exercise the Over-Allotment Option in full, Kinder Morgan will own (indirectly through KMCC and KM Canada Terminals) 100% of the Special Voting Shares and will still be the largest voting shareholder of the Company with approximately 66% of the total outstanding Company Voting Shares. See "*Description of Share Capital and Partnership Units — The Company — Special Voting* Shares".

Kinder Morgan has advised the Company that it intends to remain the majority voting shareholder of the Company. See "*Risk Factors — Risks Relating to the Company's Relationship with Kinder Morgan*".

Agreements Between the Company and Kinder Morgan

This section provides a summary description of the principal agreements among Kinder Morgan, the Company, the General Partner and/or the Limited Partnership in connection with the Reorganization and the Offering (including indirectly through KMCC and KM Canada Terminals). The description of the agreements discloses the attributes material to an investor in Restricted Voting Shares and, with respect to each such agreement that constitutes a material contract, is qualified by reference to the terms of the agreement, which will be filed with the Canadian securities regulatory authorities and will be available under the Company's SEDAR profile at www.sedar.com. See "*Material Contracts*" and "*Risk Factors — Risks Relating to the Company's Relationship with Kinder Morgan*". For description of the material provisions of the Limited Partnership Agreement, see "*Description of Share Capital and Partnership Units — The Limited Partnership*".

Contribution Agreements

The Contribution Agreements will contemplate the transfer of the Business from KMCC and KM Canada Terminals to the Limited Partnership. Prior to closing of the Offering, KMCC and KM Canada Terminals (each of which is an indirect wholly-owned subsidiary of Kinder Morgan) will contribute the Business (consisting of the securities of the Operating Entities) to the Limited Partnership, on a tax deferred basis, in return for (i) 225,800,880 Class B Units and 815,820 Class B Units, respectively (together with 225,800,880 Special Voting Shares and 815,820 Special Voting Shares, respectively, for a nominal amount), and (ii) the Acquisition Notes in the amount of $261,557,092.44 and $945,007.56 to KMCC and KM Canada Terminals, respectively.

Cooperation Agreement

The Cooperation Agreement will provide for certain matters among the Company, the Limited Partnership, the General Partner, Kinder Morgan (in respect of certain matters only), KMCC and KM Canada Terminals. The Cooperation Agreement does not in any way limit the ability of either KMCC or KM Canada Terminals to exercise its rights attached to the Special Voting Shares.

The Cooperation Agreement will include an acknowledgement by the parties that the Class A Units and the Restricted Voting Shares on the one hand and the Class B Units and the Special Voting Shares on the other hand (collectively, the "**Related Securities**") are intended to convey, on a per security basis, equivalent rights to participate, directly or indirectly, in distributions of the Limited Partnership (subject to applicable taxes), the exercise of rights of limited partners and voting rights at the Company level. To the extent that any Related Securities, or any securities convertible into, or exchangeable or exercisable for, Related Securities, are issued, sold or distributed, the parties will determine whether any adjustments are required to ensure that the equivalency noted above is maintained, and in the event that an adjustment is required and subject to applicable laws, additional Related Securities, or securities convertible into or exchangeable or exercisable for Related Securities, may be issued or distributed on substantially equivalent terms, having regard to the particular attributes of the different classes of the Related Securities. In the event that any class of Related Security is subdivided, consolidated, reclassified or otherwise changed, an equivalent change will be made to the other classes of Related Securities if such a change is required to maintain the equivalency noted above. Subject to applicable laws, if there is a dispute among the parties as to whether an adjustment or change is required in order to maintain equivalency, any adjustment must be approved on behalf of the General Partner or the Company, as applicable, by both the board of directors of the General Partner or the Company, as applicable, as a whole, and the independent directors not affiliated with the Kinder Morgan Group.

Pursuant to the Cooperation Agreement, the parties thereto agreed that any acquisition or investing activity that would be material to the Company, on a consolidated basis, will only be undertaken through the Limited Partnership. In addition, Kinder Morgan has agreed that it will first offer to the Company, on behalf of the Kinder Morgan Canada Group, any crude oil, natural gas liquids or refined product infrastructure development opportunities and/or acquisition opportunities (individually an "**Opportunity**" and collectively the "**Opportunities**") which currently have or are expected to have a majority of their physical assets and/or infrastructure within the provinces of British Columbia and Alberta, except in the event of an Opportunity involving an acquisition of all or any portion of the equity of a publicly traded company or entity or an acquisition of all or substantially all of the assets of a publicly traded company or entity, in which cases Kinder Morgan, in its sole discretion, may determine to pursue the Opportunity on its own behalf. In the event there is a conflict of interest (or potential conflict of interest) between one or more members of the Kinder Morgan Group and the Kinder Morgan Canada Group with respect to any matter or transaction (including a transaction involving the transfer of assets and/or liabilities from a member of the Kinder Morgan Group to a member of the Kinder Morgan Canada Group), the independent directors of the Board of Directors shall be responsible to take all such actions and make all such decisions (such decision to be approved, subject to applicable laws, by the majority of the independent directors of the Board of Directors) relating to such conflict as it pertains to the applicable member of the Kinder Morgan Canada Group.

Subject to the applicable provisions in the Cooperation Agreement described above, the Company, the General Partner and the Limited Partnership will each expressly consent in the Cooperation Agreement to Kinder Morgan and its affiliates that are members of the Kinder Morgan Group and their respective officers, directors and employees engaging in any business or activities whatsoever, including those that may be in competition or conflict with the business and/or the interests of, the Company.

Unless terminated earlier by written agreement of the parties, the Cooperation Agreement will terminate when no Special Voting Shares or Class B Units remain outstanding. No party to the Cooperation Agreement may assign its rights or interest thereunder without the express prior written consent of the other parties, which, in the case of the consent of KMCC or KM Canada Terminals, may be granted or withheld in their sole discretion, and, in the case of the consent of any other party, will not be unreasonably withheld or delayed. Notwithstanding the foregoing, KMCC or KM Canada Terminals may assign any or all of its rights or interest under the Cooperation Agreement to any affiliate of Kinder Morgan without the consent of the Company. The Cooperation Agreement may be amended from time to time by the parties, provided that if any amendment constitutes, or could reasonably be expected to constitute, a conflict of interest or potential conflict of interest between the Kinder Morgan Canada Group and the Kinder Morgan Group, subject to applicable law, such amendment must be approved on behalf of the Company or the General Partner, as applicable, by both the Board of Directors and the board of directors of the General Partner, as applicable, as a whole and the independent directors of each entity, as applicable, not affiliated with the Kinder Morgan Group.

The foregoing description is a summary of all material terms of the Cooperation Agreement. The full text of the Cooperation Agreement will be available under the Company's SEDAR profile at www.sedar.com.

DESCRIPTION OF SHARE CAPITAL AND PARTNERSHIP UNITS

A description of the share capital of the Company and the partnership units of the Limited Partnership is set forth below. This description discloses all attributes material to an investor in Restricted Voting Shares and is qualified in its entirety by reference to the articles of the Company and to the Limited Partnership Agreement, as applicable, which will be available under the Company's SEDAR profile at www.sedar.com. Investors are encouraged to read the full text of such articles and the Limited Partnership Agreement. See "*Material Contracts*".

The Company

The Company's authorized share capital consists of an unlimited number of Restricted Voting Shares, an unlimited number of Special Voting Shares and an unlimited number of preferred shares issuable in series. Following closing of the Offering and completion of the Reorganization, 102,942,000 Restricted Voting Shares (118,383,300 Restricted Voting Shares, if the Over-Allotment Option is exercised in full), 242,058,000 Special Voting Shares (226,616,700 Special Voting Shares, if the Over-Allotment Option is exercised in full) and no preferred shares will be issued and outstanding. Following closing of the Offering and completion of the Reorganization, an aggregate of 345,000,000 Company Voting Shares (comprised of Restricted Voting Shares and Special Voting Shares) will be issued and outstanding.

Restricted Voting Shares

Restricted Voting Shares will be issued to the public pursuant to the Offering. Holders of Restricted Voting Shares will be entitled to one vote for each Restricted Voting Share held at all meetings of shareholders of the Company, except meetings at which or in respect of matters on which only holders of another class of shares are entitled to vote separately as a class. Except as otherwise provided by the articles of the Company or required by law, the holders of Restricted Voting Shares will vote together with the holders of Special Voting Shares as a single class.

The holders of Restricted Voting Shares will be entitled to receive, subject to the rights of the holders of another class of shares, any dividend declared by the Company and the remaining property of the Company on the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary. Notwithstanding the foregoing, the Company may not issue or distribute to all or to substantially all of the holders of the Restricted Voting Shares either (i) Restricted Voting Shares, or (ii) rights or securities of the Company exchangeable for or convertible into or exercisable to acquire Restricted Voting Shares, unless contemporaneously therewith, the Company issues or distributes Special Voting Shares or rights or securities of the Company exchangeable for or convertible into or exercisable to acquire Special Voting Shares on substantially similar terms (having regard to the specific attributes of the Special Voting Shares) and in the same proportion.

None of the Restricted Voting Shares will be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the Special Voting Shares are subdivided, consolidated, reclassified or otherwise changed in the same proportion or same manner (having regard to the specific attributes of the classes of securities comprising the Company Voting Shares). In addition, under the Cooperation Agreement, the Company will make equivalent changes to the Restricted Voting Shares in the event any adjustments are made to the LP Units, in order to preserve the general alignment of the LP Units and the Company Voting Shares. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*".

The Company may not modify or remove any of the rights, privileges, conditions or restrictions of the Restricted Voting Shares without the approval by special resolution of the holders of Restricted Voting Shares.

For a description of the Company's dividend policy, see "*Dividend Policy*".

Special Voting Shares

Special Voting Shares will be issued in connection with the issuance of Class B Units for the purpose of providing voting rights with respect to the Company to the holders of Class B Units, being Kinder Morgan, indirectly through KMCC and KM Canada Terminals. Under the Company's articles, the Company will be prohibited from issuing any Special Voting Shares unless a corresponding number of associated Class B Units are concurrently issued by the General Partner. In addition, holders of Special Voting Shares are prohibited from transferring their Special Voting Shares separately from the related Class B Units except for certain permitted transfers among affiliates.

Holders of Special Voting Shares will be entitled to one vote for each Special Voting Share held at all meetings of shareholders of the Company, except meetings at which or in respect of matters on which only holders of another class of shares are entitled to vote separately as a class. Except as otherwise provided by the articles of the Company or required by law, the holders of Special Voting Shares will vote together with the holders of Restricted Voting Shares as a single class.

The holders of Special Voting Shares will be entitled to receive, subject to the rights of the holders of preferred shares and in priority to the holders of Restricted Voting Shares, an amount per Special Voting Share equal to $0.000001 on the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

The holders of Special Voting Shares, as such, will not be entitled to receive any dividends or other distributions except for such dividends payable in Special Voting Shares, as may be declared by the Board of Directors from time to time. Notwithstanding the foregoing, the Company may not issue or distribute to all or to substantially all of the holders of the Special Voting Shares either (i) Special Voting Shares, or (ii) rights or securities of the Company exchangeable for or convertible into or exercisable to acquire Special Voting Shares, unless contemporaneously therewith, the Company issues or distributes Restricted Voting Shares, or rights or securities of the Company exchangeable for or convertible into or exercisable to acquire Restricted Voting Shares on substantially similar terms (having regard to the specific attributes of the Restricted Voting Shares) and in the same proportion.

The Special Voting Shares are subject to anti-dilution provisions, which provide that adjustments will be made to the Special Voting Shares in the event of a change to the Restricted Voting Shares in order to preserve the voting equivalency of such shares. See "*— Restricted Voting Shares*" above. In addition, pursuant to the Cooperation Agreement, the Company will make equivalent changes to the Special Voting Shares in the event of any adjustments made to the LP Units, in order to preserve the general alignment of the LP Units and the Company Voting Shares. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*". The Special Voting Shares are also subject to "coattail" provisions which restrict the transfer of Special Voting Shares in certain circumstances. See "*— Take-over Bid Protection — Coattail Arrangements*" below.

The Company may not modify or remove any of the rights, privileges, conditions or restrictions of the Special Voting Shares without the approval by special resolution of the holders of Special Voting Shares.

Preferred Shares

The preferred shares may at any time be issued in one or more series. Subject to the ABCA, the Board of Directors may fix, before the issue thereof, the number of preferred shares of each series, the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of each series, including, without limitation, any voting rights, any right to receive dividends, any terms and conditions of redemption or purchase, any conversion rights, any rights on the liquidation, dissolution or winding up of the Company, and any sinking fund or other provisions, the whole to be subject to the issue of a certificate of amendment or articles of the Company setting forth the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of the series. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, rank on a parity with the preference shares of every other series and be entitled to preference over the Restricted Voting Shares and the Special Voting Shares with respect to priority in payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company. There are currently no outstanding preferred shares.

The Limited Partnership

General

The Limited Partnership will be a limited partnership established under the laws of the Province of Alberta for the purpose of acquiring and holding the Business and engaging in such other activities as the General Partner may, in its discretion, determine. The following is a summary of the material attributes and characteristics of the partnership units of the Limited Partnership and certain provisions of the Limited Partnership Agreement, which is qualified in its entirely by reference to the full text of the Limited Partnership Agreement, which will be available under the Company's SEDAR profile at www.sedar.com. See "*Material Contracts*".

General Partner

The general partner of the Limited Partnership will be the General Partner, which will be a wholly-owned subsidiary of the Company. See "*— Functions and Powers of the General Partner*" below.

Limited Partnership Units

The Limited Partnership will be entitled to issue various classes of partnership interests (including preferred partnership interests) for such consideration and on such terms and conditions as may be determined by the General Partner, subject to the provisions of the Limited Partnership Agreement. Following closing of the Offering and completion of the Reorganization, the Limited Partnership will have issued and outstanding two GP Units held by the General Partner, 102,942,000 Class A Units held by the Company (indirectly through the General Partner) representing an approximate 30% interest in the Limited Partnership, and 242,058,000 Class B Units held by Kinder Morgan, indirectly through KMCC and KM Canada Terminals, representing an approximate 70% interest in the Limited Partnership.

The GP Units, Class A Units and Class B Units will be entitled to participate in distributions of the Limited Partnership on the terms set out in the Limited Partnership Agreement. See "*— Distributions*" below.

In certain circumstances, the General Partner may be required to make changes to the attributes of the LP Units to maintain the equivalency among the Related Securities in the manner contemplated by the Limited Partnership Agreement and the Cooperation Agreement. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*".

Each of the Class B Units will be accompanied by a Special Voting Share, which will entitle the holder of such Special Voting Share to receive notice of, to attend and to vote at meetings of shareholders of the Company. See "*— The Company — Restricted Voting Shares*" above. Under the Company's articles and the Limited Partnership Agreement, as applicable, the transfer of the Special Voting Shares separately from the Class B Units to which they relate, as well as the transfer of Class B Units separately from the related Special Voting Shares, is prohibited except for certain permitted transfers among affiliates. See "*— Transfer of Partnership Units*" below and "*— The Company — Special Voting Shares*" above.

Distributions

It is anticipated that the Limited Partnership will make distributions to (i) the Company, indirectly through the General Partner, and (ii) Kinder Morgan, indirectly through KMCC and KM Canada Terminals, on a quarterly basis, and on or before any scheduled date for payment by the Company of any declared dividends. The Company will be entirely dependent on indirectly receiving distributions from the Limited Partnership in order to pay any dividends on the Restricted Voting Shares, which dividends shall in any event be declared only at the discretion of the Board of Directors. The Limited Partnership will make distributions as set out below and forthwith after the General Partner determines the amount of the distribution from the Limited Partnership.

Distributions by the Limited Partnership are not guaranteed and will be at the discretion of the General Partner. The General Partner will, in its sole discretion, determine the amount of the distribution from the Limited Partnership. The General Partner will make this determination after considering a number of factors, including, but not limited to: (i) results of the operations of the Business; (ii) financial requirements of the

Business, including the funding of current and future growth projects; (iii) any requirements relating to the indebtedness of the Limited Partnership; (iv) working capital reserves of the Limited Partnership; and (v) the cost and timely completion of current and future growth projects of the Business. The ability of the Limited Partnership to make distributions is subject to other factors as well. See "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Cash Dividend Payments Are Not Guaranteed*".

The Limited Partnership will make its distributions in the following order and priority: (i) the reimbursement of costs and expenses to the General Partner pursuant to the Limited Partnership Agreement; (ii) an amount to the holders of GP Units (being the General Partner) sufficient to allow the Company to pay its expenses (including, without limitation, any fees or commissions payable to agents or underwriters in connection with the sale of securities by the Company, listing fees of applicable stock exchanges and fees of the Company's counsel and auditors) on a timely basis (the "**Preferred Distribution**"); (iii) an amount to the General Partner equal to 0.001% of the balance of the distributable cash of the Limited Partnership; and (iv) an amount equal to the remaining distribution to the holders of Class A Units and the holders of Class B Units in accordance with their respective holdings of Class A Units and Class B Units. The General Partner may, in addition to the distributions described above, make a distribution in cash or other property to holders of GP Units or LP Units, provided that such distribution is paid or distributed to the holders of LP Units in accordance with their *pro rata* entitlements as holders of LP Units.

A holder of Class B Units has the right to elect to reinvest all distributions payable on its Class B Units in Class B Units on the same economic terms as a holder of Restricted Voting Shares that participates in the DRIP. See "*Description of Share Capital and Partnership Units — Dividend Reinvestment Plan*" below. If a holder of Class B Units elects to reinvest its distributions, such distributions will be used to purchase additional Class B Units at the same price per unit as Restricted Voting Shares are issued by the Company under the DRIP (generally being the weighted average trading price of the Restricted Voting Shares on the TSX for the five trading days preceding the dividend payment date) at a discount of between 0% and 5%, as determined from time to time by the board of directors of the General Partner, in its sole discretion. The market discount has initially been set at 3%. Pursuant to the terms of the DRIP and pursuant to the Limited Partnership Agreement, the Company and the Limited Partnership may concurrently suspend the DRIP and the distribution reinvestment plan, respectively, at their discretion. During construction of the Trans Mountain Expansion Project, Kinder Morgan currently expects to participate in the distribution reinvestment plan at a level of less than half of its cash distributions received.

Allocation of Net Income and Losses

The net income of the Limited Partnership, determined in accordance with the provisions of the Tax Act, will generally be allocated in respect of each fiscal year in the following manner: (i) first, to the General Partner in an amount equal to (a) the Preferred Distribution, and (b) the aggregate of reimbursement of costs and expenses to the General Partner pursuant to the Limited Partnership Agreement and the distributions paid on the GP Units; and (ii) the balance, among the holders of Class A Units and Class B Units based on their proportionate share of distributions received or receivable for such fiscal year. The amount of income for tax purposes allocated to a partner may be more or less than the amount of cash distributed by the Limited Partnership to that partner.

Income and loss of the Limited Partnership for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

If, with respect to a given fiscal year, no distribution is paid or payable or allocated to the partners, or the Limited Partnership has a loss for tax purposes, the taxable income or loss, as the case may be, for tax purposes of the Limited Partnership for that fiscal year will be allocated to the holders of LP Units in that fiscal year in the proportion to the percentage of LP Units held by each holder of LP Units at each of those dates.

The fiscal year end of the Limited Partnership will initially be December 31.

Functions and Powers of the General Partner

In its capacity as general partner of the Limited Partnership, the General Partner will be authorized to manage, administer and operate the business and affairs of the Limited Partnership, to make all decisions regarding the business and affairs of the Limited Partnership and to bind the Limited Partnership in respect of any such decisions, subject to certain limitations contained in the Limited Partnership Agreement. The General Partner will be required to exercise its powers and discharge its duties honestly, in good faith with a view to the best interests of the Limited Partnership and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Following closing of the Offering, pursuant to the Cooperation Agreement, the board of directors of the General Partner will be the same as the Board of Directors of the Company. Similarly, the executive officers of the General Partner are expected to be the same as the executive officers of the Company. See "*Directors and Executive Officers*".

The authority and power vested in the General Partner to manage the business and affairs of the Limited Partnership will include all authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary or incidental to carrying out the objects, purposes and business of the Limited Partnership, including, without limitation, the ability to engage other persons to assist the General Partner to carry out its management obligations and administrative functions in respect of the Limited Partnership and its business. Pursuant to the terms of the Services Agreement, the General Partner will contract with KMCI for certain services relating to the operation of the Business. See "*The Company and the Limited Partnership — Services Agreement*".

Restrictions on the Authority of the General Partner

The authority of the General Partner, as general partner, will be limited in certain respects under the Limited Partnership Agreement. Certain matters must be approved by special resolution of the holders of Class A Units (all of which will be held indirectly by the Company and voted in accordance with the instructions of the Company), including (i) the removal of the general partner, (ii) the dissolution, termination, wind-up or other discontinuance of the Limited Partnership, (iii) the sale, exchange or other disposition of all or substantially all of the business or assets of the Limited Partnership, (iv) amendments to the Limited Partnership Agreement, and (v) a merger or consolidation involving the Limited Partnership. Certain other matters must be approved by special resolution of the holders of the Class A Units and Class B Units voting together as a class, including (i) a consolidation, subdivision or reclassification of LP Units (except for the purposes of preserving the alignment of the LP Units and the Company Voting Shares pursuant to the Limited Partnership Agreement and the Cooperation Agreement), and (ii) a waiver of a default by the general partner or release of the general partner from any claims in respect thereof.

Indemnity of General Partner

The Limited Partnership will indemnify the General Partner (or any former general partner of the Limited Partnership) and any of its officers, directors, employees and agents from and against any losses, claims, damages, liabilities and expenses arising from any claims or actions in which any of such persons may be involved as a result of its status as the General Partner (or former general partner of the Limited Partnership) or an officer, director, employee or agent thereof. Any such indemnification will be made only out of the assets of the Limited Partnership.

Transfer of Partnership Units

No limited partner may transfer any of the LP Units owned by it except to persons and in the manner expressly permitted in the Limited Partnership Agreement. LP Units may not be transferred to a person who is not an Eligible Person (as defined in the Limited Partnership Agreement). In addition, the Class B Units are subject to "coattail" provisions which restrict the transfer of Class B Units in certain circumstances. See "*— Take-over Bid Protection — Coattail Arrangements*" below.

An LP Unit will not be transferable in part, and no transfer of an LP Unit will be accepted by the general partner unless a transfer form, duly completed and signed by the registered holder of the LP Unit, has been remitted to the registrar and transfer agent of the Limited Partnership. A transferee of an LP Unit will become a limited partner and will be subject to the obligations and entitled to the rights of a limited partner under the Limited Partnership Agreement on the date on which the transfer is recorded.

Amendment of Limited Partnership Agreement

The Limited Partnership Agreement may be amended from time to time by the parties, provided that if any amendment constitutes, or could reasonably be expected to constitute, a conflict of interest or potential conflict of interest between the Kinder Morgan Canada Group and the Kinder Morgan Group, subject to applicable law, such amendment must be approved on behalf of the General Partner by both the board of directors of the General Partner as a whole, and the independent directors not affiliated with the Kinder Morgan Group. Certain amendments to the Limited Partnership Agreement require the approval of the TSX.

The General Partner

The authorized capital of the General Partner will consist of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. Upon closing of the Offering and completion of the Reorganization, the Company will hold all of the issued and outstanding common shares of the General Partner. Following closing of the Offering, pursuant to the Cooperation Agreement, the board of directors of the General Partner will be the same as the Board of Directors. Similarly, the executive officers of the General Partner are expected to be the same as the executive officers of the Company. See "*Directors and Executive Officers*".

Take-over Bid Protection — Coattail Arrangements

Under applicable securities laws in Canada, an offer to purchase Special Voting Shares or Class B Units would not necessarily require that an offer be made to purchase Restricted Voting Shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over, the holders of Restricted Voting Shares will be entitled to participate on an equal footing with holders of Special Voting Shares or Class B Units, each of the Company's articles and the Limited Partnership Agreement contain customary coattail provisions.

Pursuant to the articles of the Company, no holder of Special Voting Shares will be permitted to transfer such Special Voting Shares unless either: (i) such transfer would not require that the transferee make an offer to holders of Restricted Voting Shares to acquire Restricted Voting Shares on the same terms and conditions under applicable securities laws, if such Special Voting Shares were outstanding as Restricted Voting Shares; or (ii) if such transfer would require that the transferee make such an offer to holders of Restricted Voting Shares to acquire Restricted Voting Shares on the same terms and conditions under applicable securities laws, the transferee acquiring such Special Voting Shares makes a contemporaneous identical offer for Restricted Voting Shares (in terms of price, timing, proportion of securities sought to be acquired and conditions) and does not acquire such Special Voting Shares unless the transferee also acquires a proportionate number of Restricted Voting Shares actually tendered to such identical offer.

In addition, pursuant to the terms of the Limited Partnership Agreement, no holder of Class B Units will be permitted to transfer such Class B Units, unless: (i) such transfer would not require the transferee to make an offer to holders of Restricted Voting Shares to acquire Restricted Voting Shares on the same terms and conditions under applicable securities laws if such Class B Units, and all other outstanding Class B Units, were instead outstanding as Restricted Voting Shares; or (ii) the offeror acquiring such Class B Units makes a contemporaneous identical offer for the Restricted Voting Shares (in terms of price, timing, proportion of securities sought to be acquired and conditions) and acquires such Class B Units along with a proportionate number of Restricted Voting Shares actually tendered to such identical offer.

Dividend Reinvestment Plan

Following closing of the Offering and subject to any required regulatory and stock exchange approvals, the Company intends to implement the DRIP pursuant to which holders (excluding holders not resident in Canada) of Restricted Voting Shares may elect to have all cash dividends of the Company payable to any such shareholder automatically reinvested in additional Restricted Voting Shares at a price per share calculated by reference to the volume-weighted average of the closing price of the Restricted Voting Shares on the stock exchange on which the Restricted Voting Shares are then listed for the five trading days immediately preceding the relevant dividend payment date, less a discount of between 0% and 5% (as determined from time to time by the Board of Directors, in its sole discretion). The market discount has initially been set at 3%.

No brokerage commission will be payable in connection with the purchase of Restricted Voting Shares under the DRIP and all administrative costs will be borne by the Company. Cash undistributed by the Company upon the issuance of additional Restricted Voting Shares under the DRIP will be invested in the Company and/or the Limited Partnership to be used for general corporate purposes and working capital.

Holders of Restricted Voting Shares who are non-residents of Canada will not be entitled to participate in the DRIP as a result of foreign securities law restrictions.

The Limited Partnership will adopt a similar distribution reinvestment plan for the holders of Class B Units such that they may elect to have all of the cash distributions on the Class B Units payable to any such person automatically reinvested in additional Class B Units on the same basis and at the same price per Class B Unit as a holder of Restricted Voting Shares purchases Restricted Voting Shares pursuant to the DRIP. Kinder Morgan may participate in the Limited Partnership's distribution reinvestment plan at levels that vary from the levels of participation by shareholders in the DRIP. The proceeds received by the Company pursuant to the DRIP will be used to indirectly acquire additional Class A Units of the Limited Partnership. Similarly, the reinvestment of distributions received by Kinder Morgan from the Limited Partnership pursuant to the corresponding distribution reinvestment mechanism applicable to the Class B Units will result in the issuance of additional Class B Units to Kinder Morgan, at the same price per unit at which additional Restricted Voting Shares are issued by the Company pursuant to the DRIP. See "*Description of Share Capital and Limited Partnership Units — The Limited Partnership — Distributions*".

As a result of differing participation levels, the overall ownership interests in the Company, as between Kinder Morgan (through its ownership interest in Special Voting Shares) and the holders of Restricted Voting Shares, may vary and such variances may be significant. Pursuant to the terms of the DRIP and the Limited Partnership Agreement, the Company and the Limited Partnership may concurrently suspend the DRIP and the distribution reinvestment plan, respectively, at their discretion.

Further administrative details, including the date of the first dividend for which holders of Restricted Voting Shares will be entitled to elect to have dividends reinvested under the DRIP, and enrolment documents regarding the DRIP, will be forwarded to shareholders prior to the first dividend record date.

DIVIDEND POLICY

The Company currently intends to establish a dividend policy pursuant to which the Company will pay a quarterly dividend in an amount based on its portion of the Business' distributable cash flow. The Company is currently targeting an initial dividend in the amount of approximately $0.65 per Restricted Voting Share on an annualized basis, or approximately $66.9 million in the aggregate (approximately $76.9 million if the Over-Allotment Option is exercised in full), assuming the payout of substantially all of the Business' distributable cash flow excluding capitalized equity financing costs. The payment of dividends is not guaranteed and the amount and timing of any dividends payable will be at the discretion of the Board of Directors. The actual amount of cash dividends paid to shareholders, if any, will depend on numerous factors including: (i) the results of operations for the Business; (ii) financial requirements for the Business, including the funding of current and future growth projects; (iii) the amount of distributions paid indirectly by the Limited Partnership to the Company through the General Partner, including any contributions from the completion of the Business' growth projects; (iv) the satisfaction by the Company and the General Partner of certain liquidity and solvency tests; (v) any agreements relating to the indebtedness of the Company or the Limited Partnership; and (vi) the cost and timely completion of current and future growth projects. The Company intends to pay quarterly dividends to holders of Restricted Voting Shares of record as of the close of business on or about the last business day of the month following the end of each calendar quarter, which dividends are expected to be paid to shareholders on or about the 45th day (or next business day) following the end of each calendar quarter. The Company anticipates that any dividends paid on the Restricted Voting Shares will be designated as "eligible dividends" for Canadian income tax purposes, unless otherwise notified, and that the Company will include disclosure on its website to this effect.

Assuming closing of the Offering occurs on May 30, 2017, the first dividend for the period from closing of the Offering to June 30, 2017 is expected to be paid on or about August 15, 2017 to shareholders of record on July 31, 2017 in the amount of $0.0571 per Restricted Voting Share (representing the dividend payable for the period between closing of the Offering and June 30, 2017).

It is intended that the Limited Partnership will make quarterly cash distributions to holders of Class A Units (being the Company, through the General Partner) and Class B Units (being Kinder Morgan, indirectly through KMCC and KM Canada Terminals) on a *pro rata* basis. Distributions are not, however, guaranteed and will be at the discretion of the General Partner. To the extent distributions are approved by the General Partner, all distributions made on the Class A Units held by the General Partner in its capacity as a limited partner of the Limited Partnership will immediately be distributed by the General Partner to the Company. The Company will be entirely dependent on receiving distributions from the Limited Partnership in order to pay dividends on its Restricted Voting Shares, including the Restricted Voting Shares, which dividends shall in any event be declared only at the discretion of the Board of Directors. See "*Description of Share Capital and Partnership Units*" and "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Cash Dividend Payments are Not Guaranteed*".

DISTRIBUTABLE CASH FLOW

The following financial information has been prepared by the Company using the historical combined consolidated financial information of the Business to illustrate what the Company's portion of distributable cash flow would have been for the year ended December 31, 2016, assuming that the Reorganization had been completed and the Offering closed as if they had been completed or closed, in each case, at the beginning of the period. See "*Notice to Investors — Non-GAAP Financial Measures*". For simplicity, this financial information does not assume the KMI Loans were extinguished as of January 1, 2016.

Year Ended December 31, (In thousands of Canadian dollars, except share numbers and per share amounts)	2016
Historical Financial Information:	
DCF of the Business	318,197
Financial Information, Adjusted for the Offering and the Reorganization:	
DCF available to non-controlling interests (Kinder Morgan)	222,738
DCF available to the Company	95,459
Restricted Voting Shares issued in Offering	102,942,000
DCF available to the Company per Restricted Voting Share	$ 0.927

For the year ended December 31, 2016, the Business generated approximately $318.197 million of distributable cash flow. For the year ended December 31, 2016, the financial information assumes that the Reorganization had been completed and the Offering had been closed and 102,942,000 Restricted Voting Shares were issued and outstanding, in each case, as of January 1, 2016, resulting in the Company holding an approximate 30% interest in the Business and Kinder Morgan holding an approximate 70% interest, resulting in approximately $0.927 of distributable cash flow available to the Company per Restricted Voting Share. Excluding $17.9 million of capitalized equity financing costs from the distributable cash flow available to the Business for the year ended December 31, 2016 would result in approximately $0.753 of distributable cash flow available to the Company per Restricted Voting Share. The Company currently intends to establish a dividend policy pursuant to which the Company will pay a quarterly dividend in an amount based on its portion of the Business' distributable cash flow. The Company is currently targeting an initial dividend in the amount of approximately $0.65 per Restricted Voting Share on an annualized basis, or approximately $66.9 million in the aggregate, assuming the payout of substantially all of the Business' distributable cash flow excluding capitalized equity financing costs.

In reviewing the above information, reference should be made to: (i) the historical combined financial statements for the Business as at December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016, 2015 and 2014, in each case together with the related notes and (ii) the sections entitled "*Notice to Investors — Non-GAAP Financial Measures*", "*Management's Discussion and Analysis*" and "*Risk Factors*", in each case included elsewhere in this prospectus.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following table sets forth, for the periods and at the dates indicated, the summary historical combined consolidated GAAP income statement and balance sheet information of the Business as well as certain non-GAAP financial measures and financial information. The table is derived from the Business' historical combined consolidated financial statements and notes thereto included in this prospectus and should be read in conjunction with those historical combined consolidated financial statements. Following closing of the Offering and completion of the Reorganization, the Company will indirectly hold an approximate 30% interest in the Business (an approximate 34% interest if the Over-Allotment Option is exercised in full).

	As at and for the Three Months Ended March 31,		As at and for the Years Ended December 31,		
(In thousands of Canadian dollars)	**2017**	**2016**	**2016**	**2015**	**2014**
GAAP Income Statement Information:					
Revenues	164,494	166,576	676,090	645,889	505,202
Operating income	51,070	60,199	237,412	242,251	162,865
Unrealized foreign exchange gain (loss)	10,867	70,554	32,592	(185,359)	(78,334)
Net income (loss)	46,767	111,966	201,752	(22,910)	19,529
Non-GAAP Financial Measures:[1]					
DCF of the Business	82,585	88,220	318,197	272,694	147,327
Adjusted EBITDA	92,412	104,322	395,430	368,666	256,909
Financial Information, Adjusted for the Offering and the Reorganization:[1][2]					
Net income attributable to non-controlling interests (Kinder Morgan)	32,737	78,376	141,226	(16,037)	13,670
Net income attributable to the Company	14,030	33,590	60,526	(6,873)	5,859
DCF available to non-controlling interests (Kinder Morgan)	57,810	61,754	222,738	190,886	103,129
DCF available to the Company[3]	24,775	26,466	95,459	81,808	44,198
GAAP Balance Sheet Information (at end of period):					
Property, plant and equipment, net	3,215,064	3,033,988	3,181,075	3,008,319	2,827,037
Total assets	3,825,088	3,533,033	3,739,388	3,485,162	3,410,572
Long-term debt-affiliates	1,352,337	1,271,951	1,362,126	1,320,420	1,050,140
Total equity	1,482,667	1,360,481	1,435,956	1,250,987	1,296,806

Notes:

(1) See "*Notice to Investors — Non-GAAP Financial Measures*".

(2) Financial information assumes the completion of the Reorganization and the closing of the Offering (excluding the exercise of the Over-Allotment Option) resulting in the Company holding an approximate 30% interest in the Business and Kinder Morgan holding an approximate 70% interest in the Business (Kinder Morgan's interest is described as "non-controlling interest" for the purposes of this information), in each case as if such had occurred at the beginning of the respective period.

(3) For further information respecting DCF on a per Restricted Voting Share basis, see "*Distributable Cash Flow*".

In reviewing the above information, reference should be made to: (i) the historical combined consolidated financial statements for the Business as at March 31, 2017 and for the three months ended March 31, 2017 and March 31, 2016; (ii) the historical audited combined consolidated financial statements for the Business as at December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016, 2015 and 2014, in each case together with the related notes; and (iii) the sections entitled "*Management's Discussion and Analysis*" and "*Risk Factors*", in each case included elsewhere in this prospectus.

CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of the Company as at April 17, 2017 and the pro forma consolidated capitalization of the Company as at April 17, 2017 after giving effect to the Reorganization and the Offering. Other than as described below, there has not been any material change in the share and loan capital of the Company, on a consolidated basis, since April 17, 2017. This table should be read in conjunction with the section entitled "*Management's Discussion and Analysis*" and the consolidated combined financial statements and supplemental financial information contained elsewhere in this prospectus.

Designation	Authorized	As at April 17, 2017[1]	As at April 17, 2017 after giving effect to the Reorganization and the Offering	As at April 17, 2017 after giving effect to the Reorganization and the Offering and exercise in full of the Over-Allotment Option
Debt	See Note[2]	$—[2]	$—[2]	$—[2]
Shareholders' equity	Unlimited	$100[3]	$3,147,230,370[4]	$3,397,919,876[4]
($ thousands)		(10 Restricted Voting Shares)	(102,942,000 Restricted Voting Shares, 242,058,000 Special Voting Shares)	(118,383,300 Restricted Voting Shares, 226,616,700 Special Voting Shares)

Notes:

(1) The Company was incorporated under the ABCA on April 7, 2017. The Company will have no operating history until completion of the Reorganization and the Offering.

(2) Following the closing of the Offering, a subsidiary of the Company is expected to enter into the Credit Facility with a syndicate of Canadian chartered banks. The Company does not anticipate that any amount will be drawn under the KMI Credit Lines at the time of completion of the Reorganization and closing of the Offering. The proceeds of the Offering will be used, in part, to repay the KMI Loans. See "*Description of Indebtedness*" and "*Use of Proceeds*". Following closing of the Offering, the full amounts of the Acquisition Notes will be either repaid with the proceeds from the exercise of the Over-Allotment Option or converted into Class B Units. See "*Relationship with Kinder Morgan — The Reorganization and the Offering*".

(3) KMCC was issued ten Restricted Voting Shares at an aggregate subscription price of $100 in connection with the incorporation of the Company. These Restricted Voting Shares will be cancelled by the Company concurrent with closing of the Offering. See "*Prior Sales*".

(4) The Company will issue 102,942,000 Restricted Voting Shares under the Offering (118,383,300 Restricted Voting Shares if the Over-Allotment is exercised in full). Following the Reorganization, 242,058,000 Special Voting Shares will be held indirectly by Kinder Morgan through KMCC and KM Canada Terminals (226,616,700 Special Voting Shares if the Over-Allotment is exercised in full). See "*The Company and the Limited Partnership*".

DESCRIPTION OF INDEBTEDNESS

KMI Loans and Other Indebtedness

Certain of the Operating Entities comprising the Business to be acquired by the Limited Partnership pursuant to the Reorganization are indebted to Kinder Morgan (either directly or indirectly through its other subsidiaries and affiliates) (the "**KMI Loans**"). The KMI Loans were incurred by certain Operating Entities in connection with the acquisition of Terasen Inc. in 2005 and subsequent expenditures incurred to grow the Business. As of December 31, 2016, the Business had $1,362.1 million of long-term debt due to Kinder Morgan, consisting of $235.9 million of non-interest bearing long-term notes payable and other notes payable that bear interest at various fixed rates ranging from 3.50% to 4.82%, which can be periodically adjusted based on quoted rates obtained from banks. In connection with the closing of the Offering, the applicable Operating Entities will use a portion of the proceeds from the Offering to repay the KMI Loans. See "*Use of Proceeds*".

In addition to the KMI Loans, Trans Mountain has in place a $500 million intercompany line of credit with Kinder Morgan for purposes of meeting NEB-mandated liquidity requirements. At the closing of the Offering, Kinder Morgan is expected to provide a second, $250 million temporary intercompany line of credit for the Business' general corporate purposes and Trans Mountain Expansion Project costs expected to be incurred between closing of the Offering and closing of the Credit Facility described below (together with the Trans Mountain $500 million intercompany line of credit, the "**KMI Credit Lines**"). Borrowings under the KMI Credit Lines will bear interest at a rate equivalent to the KMI Revolving Facility interest rate. Upon closing of the Credit Facility, any indebtedness outstanding under the KMI Credit Lines will be repaid using borrowings under the Credit Facility, and the KMI Credit Lines will be terminated. KMCC is a party to a letter of credit facility, pursuant to which an affiliate of TD Securities Inc., as lender, has issued letters of credit, in an aggregate amount of approximately $44 million, in support of certain obligations of the Operating Entities. Upon the establishment of the Working Capital Facility, these outstanding letters of credit will be replaced with letters of credit under such Working Capital Facility.

Credit Facility

Underwritten bank commitments are currently in place for the Business to establish (i) a $4.0 billion revolving construction credit facility (the "**Construction Facility**") for the purposes of funding the development, construction and completion by the Business of the Trans Mountain Expansion Project; and (ii) a $1.0 billion revolving contingent credit facility for the purposes of funding (if necessary) additional Trans Mountain Expansion Project costs and, subject to the need to fund such additional costs, meeting NEB-mandated liquidity requirements (the "**Contingent Facility**"). Concurrently with the closing of the Construction Facility and the Contingent Facility, a $500 million revolving working capital facility is expected to be available for general corporate purposes (including working capital) (the "**Working Capital Facility**", and, together with the Contingent Facility and the Construction Facility, the "**Credit Facility**").

Any drawn funds on the Credit Facility are expected to bear interest (i) in the case of drawdowns by way of bankers' acceptances or Libor loans, at an annual rate of approximately CDOR or the London interbank offered rate, as the case may be, plus a fixed spread ranging from 1.50% to 2.50%, and (ii) in the case of loans in Canadian dollars or U.S. dollars, at an annual rate of approximately the Canadian prime rate or the U.S. dollar base rate, as the case may be, plus a fixed spread ranging from 0.50% to 1.50%, in each case, with the range dependent on the credit ratings of the Company. In addition, drawdowns on the Credit Facility by way of issuance of letters of credit will have issuance fees based on an annual rate of approximately CDOR plus a fixed spread ranging from 1.50% to 2.50%, with the range dependent on the credit ratings of the Company. The foregoing rates and fees are expected to increase by 0.25% upon the fourth anniversary of the Credit Facility. Any undrawn commitments are expected to incur a standby fee of 0.30% to 0.625%, with the range dependent on the credit ratings of the Company. The Credit Facility is expected to be guaranteed by the Company and all of the non-borrower subsidiaries of the Company and will be secured by a first lien security interest on all of the assets of the Company and the equity and assets of the other guarantors. The Credit Facility is expected to have a five year term. The Credit Facility will provide for customary positive and negative covenants, including limitations on liens, dispositions, amalgamations, liquidations and dissolutions. The terms of the Credit Facility are expected to provide that a failure to comply with any of the covenants will result in an event of default which, if not cured or waived, will permit acceleration of the indebtedness pursuant to the Credit Facility which could, in turn, prevent distributions from being paid by the Limited Partnership or dividends from the Company being paid to shareholders or potentially result in a loss of all or a portion of the encumbered assets. In addition, certain terms of the Credit Facility may prevent or restrict the ability of the Limited Partnership to make distributions on the LP Units and, therefore, the ability of the Company to pay dividends. Pursuant to the expected terms of the Credit Facility, the Company must maintain a debt to total capitalization percentage of no greater than 70%. In addition, the Construction Facility is expected to condition borrowings for the Trans Mountain Expansion Project on a requirement that such costs funded with Business indebtedness must not exceed 60% of total Trans Mountain Expansion Project costs then incurred to date, subject to satisfying certain availability conditions. See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — The Company Could be Adversely Affected by a Significant Increase in Debt Levels of the Business*", "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — The Company and/or the Business Will Require Access to External Capital*" and "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Cash Dividend Payments are Not Guaranteed*".

The foregoing description, including the terms included in the financial covenants described above, is a summary of what are expected to be certain material terms of the credit agreements relating to the Credit Facility, copies of which will be available on SEDAR at www.sedar.com following execution of the agreements relating to the Credit Facility.

Affiliates of each of the Underwriters are expected to be lenders under the Credit Facility (collectively, the "**Lenders**"). Consequently, the Company may be considered a "connected issuer" to each of the Underwriters within the meaning of applicable Canadian Securities Laws. See "*Relationships Between the Company and Certain Underwriters*".

The Company does not anticipate that any amounts will be drawn under the KMI Credit Lines at the time of completion of the Reorganization and closing of the Offering.

USE OF PROCEEDS

Kinder Morgan intends to sell a portion of its interest in the Business through the Offering. The gross proceeds from the Offering will be $1,750,014,000. If the Over-Allotment Option is exercised in full, the gross proceeds to the Company from the Offering will be $2,012,516,100.

The Company will use the proceeds from the Offering to acquire an approximate 30% interest (an approximate 34% interest if the Over-Allotment Option is exercised in full) in the Business indirectly from Kinder Morgan through the indirect subscription for Class A Units of the Limited Partnership. The proceeds received from the Company will be used to repay the KMI Loans and to make a distribution to Kinder Morgan with any remaining proceeds. If the Over-Allotment Option is exercised in whole or in part, the Limited Partnership will use the proceeds received from the Company to repay all or a portion of the Acquisition Notes. Accordingly, none of the proceeds of the Offering will be retained for use by the Business. See "*Relationship with Kinder Morgan — The Reorganization and the Offering*".

The Company expects to pay the Underwriters' fee of $78,750,630 and the Company's expenses related to the Offering, estimated to be approximately $6,700,000, in connection with the Offering. If the Over-Allotment Option is exercised in full, the Underwriters' fee will be $90,563,224.50.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The Company was incorporated on April 7, 2017 and subsequently issued ten Restricted Voting Shares to KMCC, an indirect wholly-owned subsidiary of Kinder Morgan, for an aggregate subscription price of $100.00.

Cautionary Statement Regarding Forward-Looking Information and Non-GAAP Financial Measures

All forward-looking information contained in this "*Management's Discussion and Analysis*" section is based on certain assumptions and analyses made by the Business in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Business believes are appropriate in the circumstances. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, the Company does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement and the cautionary statement under the heading "*Notice to Investors — Forward-Looking Statements*".

In addition to using financial measures prescribed by GAAP, references are made in this MD&A to "distributable cash flow" which is a measure that does not have any standardized meaning as prescribed by GAAP. Accordingly, the Company's use of such term may not be comparable to similarly defined measures presented by other entities. The use of "distributable cash flow" in this "*Management's Discussion and Analysis*" section is expressly qualified by the cautionary statement under the heading "*Notice to Investors — Non-GAAP Financial Measures*."

Presentation of Information

The following discussion and analysis should be read in conjunction with the historical combined consolidated financial statements and the notes thereto included in this prospectus. The historical combined consolidated financial statements have been prepared in accordance with GAAP. All financial information in this prospectus and the accompanying historical combined consolidated financial statements are presented in

Canadian dollars, unless otherwise indicated. The Business represents the combined operations of the Operating Entities (which includes three jointly-controlled investments that are proportionally consolidated).

This MD&A and the related historical combined consolidated financial statements consist of the historical financial statements of the Business. These statements reflect the combined historical results of operations, financial position, cash flows and equity in the Business as if such operations had been combined for the periods presented. The Business has been under common management and ownership for all periods presented. The historical combined consolidated financial statements were derived from the consolidated financial statements and accounting records of Kinder Morgan. The assets and liabilities in these historical combined consolidated financial statements have been reflected at historical carrying value including goodwill and purchase price assignment amounts previously recorded within the businesses included in these historical combined consolidated financial statements.

The Company is responsible for and evaluates the performance of the combined operations of the Business and the discussion and analysis that follows addresses the combined operations as a whole. In reviewing the information set forth in this "*Management's Discussion and Analysis*" section regarding the Business, investors should note that following the closing of the Offering and completion of the Reorganization, the Company will hold an approximate 30% interest in the Business (approximately 34% if the Over-Allotment Option is exercised in full). See also "*The Business*" and "*Relationship with Kinder Morgan*".

Activities of the Company Since its Incorporation through to Closing of the Offering

Between the date of its incorporation through to closing of the Offering the Company will not have carried on any active operations. Following the indirect acquisition by the Limited Partnership of the Business in accordance with the terms of the Contribution Agreements, the Company will use the proceeds from the Offering to indirectly acquire an approximate 30% interest in the Limited Partnership (approximately 34% if the Over-Allotment Option is exercised in full) and indirectly, therefore, the operations of the Business.

See also "*The Business"* and *"Relationship with Kinder Morgan*".

Results of Operations of the Business

Overview

The reportable business segments of the Business are based on the way management organizes the enterprise. Each of the reportable business segments of the Business represents a component of the enterprise that engages in a separate business activity and for which discrete financial information is available.

The reportable business segments of the Business are:

- Pipelines — the ownership and operation of (i) the Trans Mountain pipeline system; (ii) the Canadian Cochin pipeline system; (iii) the Puget Sound pipeline system; (iv) the Jet Fuel pipeline system; and (v) KMCI. See "*The Business — Trans Mountain Pipeline System, Terminals and Related Pipelines*" and "*The Business — Cochin Pipeline System*".
- Terminals — the ownership and operation of terminal facilities located in Western Canada that provide merchant storage as well as rail terminals offering loading and delivery services for liquids product as well as certain bulk commodity handling. See "*The Business — Terminals*".

The Company evaluates the performance of the Business' reportable business segments by evaluating the earnings before depreciation and amortization of each segment ("**Segment EBDA**"). The Company believes that Segment EBDA is a useful measure of the operating performance of the Business because it measures segment operating results before DD&A and certain expenses that are generally not controllable by the operating managers of the respective business segments of the Business, such as general and administrative expense, unrealized foreign exchange losses (or gains) on long-term debt-affiliates, interest expense, and income tax expense. The Business' general and administrative expenses include such items as employee benefits, insurance, rentals, certain litigation expenses, and shared corporate services including accounting, information technology, human resources and legal services. Certain general and administrative costs attributable to Trans Mountain are billable as flow through items to shippers and result in incremental revenues. See Note 17 "*Reportable Segments*" to the combined consolidated financial statements of the Business as at December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, for further discussion of the Business' reportable business segments.

Historical Combined Consolidated Earnings Results

Three Months Ended March 31, (In thousands of Canadian dollars)	**2017**	**2016**
Segment EBDA[(1)]		
Pipelines	56,271	60,987
Terminals	54,149	59,134
Total segment EBDA[(1)]	110,420	120,121
DD&A	(34,839)	(34,126)
General and administrative expense	(18,008)	(15,799)
Unrealized foreign exchange gain on the KMI Loans[(2)]	10,119	64,459
Interest, net	(6,649)	(8,549)
Income before income taxes	61,043	126,106
Income tax expense	(14,276)	(14,140)
Net income	46,767	111,966
Financial Information, Adjusted for the Offering and the Reorganization[(3)]		
Net income (loss) attributable to non-controlling interests (Kinder Morgan)	32,737	78,376
Net income (loss) attributable to the Company	14,030	33,590

Years Ended December 31, (In thousands of Canadian dollars)	**2016**	**2015**	**2014**
Segment EBDA[(1)]			
Pipelines	241,941	249,514	220,852
Terminals	211,178	180,506	98,527
Total Segment EBDA[(1)]	453,119	430,020	319,379
DD&A	(137,168)	(123,529)	(88,698)
General and administrative expense	(57,689)	(61,354)	(59,170)
Unrealized foreign exchange gain (loss) on the KMI Loans[(2)]	29,721	(175,830)	(75,989)
Interest, net	(29,870)	(30,084)	(49,458)
Income before income taxes	258,113	39,223	46,064
Income tax expense	(56,361)	(62,133)	(26,535)
Net income (loss)	201,752	(22,910)	19,529
Financial Information, Adjusted for the Offering and the Reorganization:[(3)]			
Net income (loss) attributable to non-controlling interests (Kinder Morgan)	141,226	(16,037)	13,670
Net income (loss) attributable to the Company	60,526	(6,873)	5,859

Notes:

(1) Includes revenues and other (income) expense less operating expenses and other, net. Operating expenses primarily include operations and maintenance expenses, and taxes, other than income taxes. Segment EBDA for the three months ended March 31, 2017 and March 31, 2016 includes $5,532,000 and $3,936,000, respectively, of capitalized equity financing costs and Segment EBDA for the year ended December 31, 2016, 2015 and 2014 includes $17,870,000, $12,928,000 and $11,216,000, respectively, of capitalized equity financing costs.

(2) Represents unrealized foreign currency losses on the notes comprising a portion of the KMI Loans. The KMI Loans expose the Business to foreign exchange risk related to the portion denominated in U.S. dollars. The KMI Loans are expected to be repaid using proceeds from the Offering.

(3) Financial information assumes the completion of the Reorganization and the closing of the Offering (excluding the exercise of the Over-Allotment Option) resulting in the Company holding an approximate 30% interest in the Business and Kinder Morgan holding an approximate 70% interest in the Business (Kinder Morgan's interest is described as "non-controlling interest" for the purposes of this information), in each case as if such had occurred as of January 1, 2014.

Three Months Ended March 31, 2017 vs. 2016

The decrease of $65.2 million (58%) from the prior year first quarter in net income is primarily attributable to the reduction of unrealized foreign exchange gains on the KMI Loans. The remainder of the decrease is largely attributable to decreased Segment EBDA, driven by decreased activity at Edmonton area terminals, lower earnings from Trans Mountain and Puget Sound pipeline systems and increased general and administrative expense related to the Trans Mountain Expansion Project, partially offset by lower interest expense.

Year Ended December 31, 2016 vs. 2015

The increase in net income of $224.7 million (981%) from the prior year in net income is primarily attributable to changes in the unrealized foreign exchange gains (losses) on the KMI Loans denominated in U.S. dollars. Due to changes in the exchange rates between Canadian and U.S. dollars, the Business recorded unrealized foreign exchange gains of $29.7 million in 2016, and unrealized foreign exchange losses of $175.8 million in 2015 associated with the KMI Loans. The remainder of the increase is largely attributable to increased Terminals Segment EBDA driven by increased contributions from the Edmonton Rail Terminal joint venture and other terminal projects being placed in service, and reduced general and administrative expense from 2015 environmental costs that did not recur in 2016.

Year Ended December 31, 2015 vs. 2014

The decrease in net income of $42.4 million (217%) from the prior year in net income is primarily attributable to an increase in the unrealized foreign exchange losses on the KMI Loans denominated in U.S. dollars. Due to changes in the exchange rates between Canadian and U.S. dollars, the Business recorded unrealized foreign exchange losses of $175.8 million and $76.0 million in 2015 and 2014, respectively. Increases of $110.6 million in segment EBDA and $34.8 million of DD&A were driven by the commissioning of new terminals facilities, including two new joint ventures in 2014 and 2015, incremental earnings from completion of the Cochin Reversal Project in 2014 and higher volumes on the Puget Sound pipeline system.

Segment Earnings Results

Pipelines Segment

Three Months Ended March 31, (In thousands of Canadian dollars, except operating statistics)	**2017**	**2016**
Revenues	89,486	93,129
Operating expenses, except DD&A	(38,732)	(36,064)
Other income and unrealized foreign exchange gain, net (a)	5,517	3,922
Segment EBDA	56,271	60,987

Change from prior period	**Increase/(Decrease)**	
Revenues	(3,643)	(4)%
Segment EBDA	(4,716)	(8)%

	2017	2016
Trans Mountain pipeline system transport volumes (MMBbl)	27.6	28.6
Puget Sound pipeline system transport volumes (MMBbl)	14.3	17.2
Canadian Cochin pipeline system transport volumes (MMBbl)	7.1	7.1

Year Ended December 31, (In thousands of Canadian dollars, except operating statistics)	2016	2015	2014
Revenues	388,603	383,681	351,012
Operating expenses, except DD&A	(164,539)	(152,661)	(145,018)
Other income, net	—	1,752	1,160
Other income and unrealized foreign exchange gain (loss), net[1]	17,877	16,742	13,698
Segment EBDA	241,941	249,514	220,852
Change from prior period	**Increase/(Decrease)**		
Revenues	4,922	32,669	
Segment EBDA	(7,573)	28,662	
Trans Mountain pipeline system transport volumes (MMBbl)	115.2	115.4	106.8
Puget Sound pipeline system transport volumes (MMBbl)	69.8	64.6	52.4
Canadian Cochin pipeline system transport volumes (MMBbl)	30.8	29.2	14.4

Note:

(1) 2014 includes a certain item for a $3.3 million gain on sale of propane pipeline line-fill.

Three Months Ended March 31, 2017 vs. 2016

For the comparable quarters of 2017 and 2016, the Pipelines segment had a decrease in revenues and Segment EBDA of $3.6 million (4%) and $4.7 million (8%), respectively, which was driven primarily by (i) a $2.0 million decrease in revenues and earnings from lower volumes on the Puget Sound pipeline system; (ii) a $1.2 million decrease in revenues from a lower pass through of certain general and administrative costs on the Trans Mountain pipeline system; (iii) a $0.5 million decrease in revenues and earnings on the Canadian Cochin pipeline system due to unfavorable realized foreign exchange rates on U.S. dollar denominated transactions; and (iv) a $3.7 million increase in non-pass through operating costs in the segment. The decrease in earnings was partially offset by an increase of $1.5 million of capitalized equity financing costs related to the Trans Mountain Expansion Project.

Year Ended December 31, 2016 vs. 2015

For the comparable years of 2016 and 2015, the Pipelines segment had a decrease in Segment EBDA of $7.6 million (3%) which was driven primarily by (i) an $8.6 million decrease in Segment EBDA from the Cochin pipeline system, consisting of a $2.6 million increase in revenues offset by an $11.2 million increase in operating expenses, which included a $9.0 million increase in pipeline integrity costs in 2016 and (ii) $4.2 million of lower unrealized foreign exchange gains related to U.S. dollar denominated cash, accounts payable and accounts receivable. The decreases in Segment EBDA were partially offset by (i) a $2.0 million increase in Segment EBDA from the Puget Sound pipeline system, consisting of a $4.6 million increase in revenues and a $2.6 million increase in operating expenses from increased pipeline volumes, net of foreign exchange effects and (ii) a $5.0 million increase in capitalized equity financing costs related to the Trans Mountain Expansion Project.

Year Ended December 31, 2015 vs. 2014

For the comparable years of 2015 and 2014, the Pipelines segment had an increase in Segment EBDA of $28.7 million (13%) which was driven primarily by (i) an increase in revenues and earnings of $29.5 million and $14.6 million, respectively, due to the full year of contributions from the Cochin Reversal Project that was completed in July 2014; (ii) a $9.4 million increase in earnings from the Puget Sound pipeline system in Washington State from higher volumes which contributed approximately $10.5 million in additional revenues offset by $1.1 million of additional operating expense, net of foreign currency effects; (iii) $5.2 million of higher revenues and earnings on Trans Mountain pipeline system due to changes in rate base; and (iv) a $1.7 million increase in capitalized equity financing costs related to the Trans Mountain Expansion Project.

Terminals Segment

Three Months Ended March 31, (In thousands of Canadian dollars, except operating statistics)	2017	2016
Revenues	75,008	73,447
Operating expenses, except DD&A	(20,063)	(20,388)
Other expense, net	(1,782)	—
Other income and unrealized foreign exchange gain, net	986	6,075
Segment EBDA	54,149	59,134

Change from prior period	Increase/(Decrease)	
Revenues	1,561	2%
EBDA	(4,985)	(8)%
Bulk transload tonnage (MMtons)	1.2	1.0
Liquids leaseable capacity (MMBbl)	7.5	7.5
Liquids utilization %(1)	100%	100%

Year Ended December 31, (In thousands of Canadian dollars, except operating statistics)	2016	2015	2014
Revenues	287,487	262,208	154,190
Operating expenses, except DD&A	(79,035)	(67,446)	(50,411)
Other expense, net	(247)	(400)	(200)
Other income and unrealized foreign exchange gain (loss), net	2,973	(13,856)	(5,052)
Segment EBDA	211,178	180,506	98,527

Change from prior period	Increase/(Decrease)		
Revenues	25,279	108,018	
EBDA	30,672	81,979	
Bulk transload tonnage (MMtons)	3.7	4.5	4.3
Liquids leaseable capacity (MMBbl)	7.5	7.5	5.8
Liquids utilization %(1)	100%	100%	100%

Notes:

(1) The ratio of the Business' storage capacity under contract to its estimated storage capacity.

Three Months Ended March 31, 2017 vs. 2016

For the comparable quarters of 2017 and 2016, the Terminals business segment had a decrease in Segment EBDA of $5.0 million (8%) which was primarily driven by a $5.2 million decrease in unrealized foreign exchange gains between the comparable periods primarily related to U.S. dollar denominated accounts payable to Kinder Morgan, a $1.2 million decrease due to a throughput price rate reduction at the Alberta Crude Terminal joint venture and a $1.8 million loss in 2017 from a project write-off at the Vancouver Wharves Terminal. These decreases to earnings were partially offset by $3.0 million of increased revenues and earnings due to a Vancouver Wharves customer contract buy-out.

Year Ended December 31, 2016 vs. 2015

For the comparable years of 2016 and 2015, the Terminals business segment had an increase in Segment EBDA of $30.7 million (17%) driven primarily by Edmonton-area expansion projects including (i) the commissioning of the Edmonton Rail Terminal joint venture which contributed $23.1 million and $18.6 million of additional revenue and Segment EBDA, respectively; (ii) rail terminal connectivity additions at the Edmonton South Terminal that contributed $6.5 million and $4.8 million of additional revenues and Segment EBDA, respectively; and (iii) $16.6 million favorable change in foreign exchange effects. The Vancouver

Wharves Terminal's 2015 revenues included a contract buyout and additional "take-or-pay" revenue totaling \$5.5 million.

Year Ended December 31, 2015 vs. 2014

For the comparable years of 2015 and 2014, the Terminals business segment had an increase in Segment EBDA of \$82.0 million (83%). This increase was driven by (i) the Edmonton Rail Terminal joint venture which was commissioned in April 2015 and contributed \$37.6 million Segment EBDA in 2015; (ii) expansion capital projects at the Edmonton South Terminal, including the full-year impact of eight additional storage tanks placed in service throughout 2014 and an outbound pipeline connection to the Edmonton Rail Terminal joint venture placed in service in 2015, which combined contributed \$34.1 million of additional revenues and \$32.0 million of additional Segment EBDA in 2015; and (iii) the Alberta Crude Terminal joint venture which was commissioned in November 2014 and contributed \$11.6 million and \$ 8.8 million in additional revenue and earnings, respectively. In addition, during 2015 the Vancouver Wharves Terminal's revenue benefited from a contract buyout and additional "take-or-pay" revenue totaling \$5.5 million. These increases in Segment EBDA were partially offset by \$8.7 million unfavorable change in foreign exchange effects.

Unrealized foreign exchange gain (loss) on the long-term debt affiliates

The Business is exposed to foreign currency risk related to the U.S. dollar denominated KMI Loans. As of March 31, 2017 and 2016, the Business had amounts outstanding under the KMI Loans of \$1,352.3 million and \$1,272.0 million, respectively. The Bank of Canada quoted U.S. dollar to Canadian dollar closing exchange rates on each March 31, 2017 and 2016 were 1.3299 and 1.2987, respectively. As of December 31, 2016, 2015, 2014 and 2013, the Business had amounts outstanding under the KMI Loans of \$1,362.1 million, \$1,320.4 million, \$1,050.1 million and \$942.2 million, respectively. The Bank of Canada quoted U.S. dollar to Canadian dollar closing exchange rates on each of December 31, 2016, 2015, 2014 and 2013 were 1.3427; 1.3841; 1.1601 and 1.0636, respectively.

The \$54.3 million unfavorable change between the three months ended March 31, 2017 and 2016 on unrealized foreign exchange rate gains associated with the KMI Loans was due to less strengthening of the Canadian dollar against the U.S. dollar during the three months ended March 31, 2017 as compared to the same period in 2016.

The \$205.6 million favorable change between 2016 and 2015 on unrealized foreign exchange rate gains (losses) associated with the KMI Loans was due to a slight strengthening of the Canadian dollar against the U.S. dollar in 2016, as compared to a significant weakening in 2015. In addition, the KMI Loans balance increased by \$270.3 million from December 31, 2014 to December 31, 2015.

General and Administrative Expense

The \$2.2 million increase in general and administrative expense for the comparable quarters of 2017 and 2016 was primarily driven by \$1.4 million of additional costs associated with the Trans Mountain Expansion Project, \$0.3 million of increased union benefits and \$0.2 million of additional Kinder Morgan overhead allocations to the Canadian Cochin pipeline system.

General and administrative costs were higher in 2015 than in 2016 and 2014 because the Business allocated fewer labour costs to new construction projects in 2015 as compared to 2014 and 2016 after the completion of several projects in 2014 and early 2015, and before the 2016 ramp-up of work on the Trans Mountain Expansion Project.

Interest Expense

Interest expense is presented as net of interest income and capitalized interest. Interest expense decreased \$1.9 million for the comparable quarters of 2017 and 2016, driven primarily by a \$2.2 million increase in capitalized debt financing costs.

Interest expense decreased $0.2 million and $19.4 million in 2016 and 2015, respectively, when compared with the respective prior year. The 2016 interest expense was relatively flat compared to 2015 because the KMI Loans balances were relatively consistent during those two years. The decrease in interest expense in 2015, as compared to 2014, was primarily due to the renewal of notes payable to Kinder Morgan subsidiaries at lower interest rates, partially offset by an increase in the KMI Loans during 2014. The weighted average interest rate on the KMI Loans was 3.3%, 3.6% and 6.0% for the years ended December 31, 2016, 2015 and 2014, respectively.

Income Taxes

Three Months Ended March 31, 2017 vs. 2016

Income tax expense for the three months ended March 31, 2017 was $14.3 million, which is comparable with first quarter 2016 income tax expense of $14.1 million. The effective tax rates for the three months ended March 31, 2017 and 2016 were 23% and 11%, respectively. The increase in the effective tax rate was primarily due to foreign exchange rate fluctuations in respect of the KMI Loans, which impacted the valuation allowance on unrealized capital losses.

Year Ended December 31, 2016 vs. 2015

Income tax expense for the year ended December 31, 2016 was $56.4 million, as compared with 2015 income tax expense of $62.1 million. The $5.7 million decrease in income tax expense was due primarily to the capital gain from the impact of exchange rate fluctuations in respect of the KMI Loans which resulted in the release of the valuation allowance. These decreases were partially offset by the tax impact on higher pre-tax earnings.

Year Ended December 31, 2015 vs. 2014

The Business income tax expense for the year ended December 31, 2015 was $62.1 million, as compared with 2014 income tax expense of $26.5 million. The $35.6 million increase in income tax expense was due primarily to the change in the statutory corporate tax rate and the impact of exchange rate fluctuations in respect of the KMI Loans, the capital losses from which are fully valued.

Liquidity and Capital Resources

Underwritten bank commitments are currently in place for the Business to establish the $4.0 billion Construction Facility and the $1.0 billion Contingent Facility and, concurrently with closing of the Construction Facility and the Contingent Facility, a $500 million Working Capital Facility is also expected to be entered into.

Any drawn funds on the Credit Facility are expected to bear interest (i) in the case of drawdowns by way of bankers' acceptances or Libor loans, at an annual rate of approximately CDOR or the London interbank offered rate, as the case may be, plus a fixed spread ranging from 1.50% to 2.50%, and (ii) in the case of loans in Canadian dollars or U.S. dollars, at an annual rate of approximately the Canadian prime rate or the U.S. dollar base rate, as the case may be, plus a fixed spread ranging from 0.50% to 1.50%, in each case, with the range dependent on the credit ratings of the Company. In addition, drawdowns on the Credit Facility by way of issuance of letters of credit will have issuance fees based on an annual rate of approximately CDOR plus a fixed spread ranging from 1.50% to 2.50%, with the range dependent on the credit ratings of the Company. The foregoing rates and fees are expected to increase by 0.25% upon the fourth anniversary of the Credit Facility. Any undrawn commitments are expected to incur a standby fee of 0.30% to 0.625%, with the range dependent on the credit ratings of the Company. The Credit Facility is expected to be guaranteed by the Company and all of the non-borrower subsidiaries of the Company and will be secured by a first lien security interest on all of the assets of the Company and the equity and assets of the other guarantors. The Credit Facility is expected to have a five year term. The Credit Facility will provide for customary positive and negative covenants, including limitations on liens, dispositions, amalgamations, liquidations and dissolutions.

In connection with the closing of the Offering, the applicable Operating Entities will use a portion of the proceeds from the Offering to repay, in full, the amounts outstanding under the KMI Loans. In addition to the KMI Loans, Trans Mountain has in place a $500 million intercompany line of credit with Kinder Morgan for purposes of meeting NEB-mandated liquidity requirements. At the closing of the Offering and because the

Credit Facility will not be closed at that time, a second, $250 million temporary intercompany line of credit will be available to the Business for the Business' general corporate purposes and Trans Mountain Expansion Project costs expected to be incurred between closing of the Offering and closing of the Credit Facility. Borrowings under the KMI Credit Lines will bear interest at a rate equivalent to the KMI Revolving Facility interest rate. Upon closing of the Credit Facility, any indebtedness outstanding under the KMI Credit Lines will be repaid using borrowings under the Credit Facility, and the KMI Credit Lines will be terminated.

See "*Description of Indebtedness*".

General

As of March 31, 2017, the Business had $170 million of cash and cash equivalents, an increase of $11 million (7%) from December 31, 2016. As of December 31, 2016, the Business had $159 million of cash and cash equivalents, an increase of $86 million (118%) from December 31, 2015. The Company believes that, prior to the closing of the Offering, this cash position, the Business' cash flows from operating activities and access to cash through borrowings from Kinder Morgan, are considered adequate to manage day-to-day cash requirements of the Business. Similarly, following the closing of the Offering, the Company believes that the Business' cash flows from operating activities and access to cash under the KMI Credit Lines or, when established, the Credit Facility will be considered adequate to manage day-to-day cash requirements and anticipated obligations of the Business.

The Business generated cash flow from operations of $57.2 million and $87.1 million in the first three months of 2017 and 2016, respectively, and $309.7 million and $223.9 million in the years ended December 31, 2016 and 2015, respectively, (the decrease of 34% for the first quarter of 2017 versus 2016 and the 38% increase for the year ended 2016 versus 2015, are discussed below in "— *Cash Flows — Operating Activities*"). During 2016, the Business also received $70.2 million from borrowings from Kinder Morgan subsidiaries and $10.8 million of contributions from Kinder Morgan subsidiaries that were used to partially fund its expansion capital expenditures.

Short-term Liquidity

As of March 31, 2017 and December 31, 2016 the Business' principal source of short-term liquidity was cash from operations. The Business had working capital (defined as current assets less current liabilities) deficits of $199 million, $201 million and $255 million as of March 31, 2017 and December 31, 2016 and 2015, respectively. The overall $54 million (21%) favourable change from year-end 2015 to year-end 2016 was primarily due to higher cash balances and lower regulatory liabilities, offset by higher accounts payable and higher accounts payable-affiliates. Generally, the Business' working capital balance varies due to factors such as timing differences in the collection and payment of receivables and payables, and changes in the Business' cash and cash equivalent balances after payments for investing activities net of cash received from operating and financing activities. The Business expects to continue to operate with a working capital deficit during the construction of the Trans Mountain Expansion Project. Such a deficit will be funded primarily through the use of the Construction Facility, which is being put in place to fund the cost of the Trans Mountain Expansion Project, as well as dividend and distribution reinvestments, term debt and the issuance of preferred equity. In addition, the Business will be in a position to utilize the $500 million Working Capital Facility for general corporate purposes including the funding of growth capital expenditures for non-Trans Mountain Expansion Project expansion projects of the Business.

Long-term Financing

In addition to using cash from operations, prior to the closing of the Offering, the Business may also finance a portion of its expansion capital expenditures through borrowings from Kinder Morgan. After the closing of the Offering, the Business may also finance a portion of its expansion expenditures through borrowings from the KMI Credit Lines or, when established, the Credit Facility and additional equity and debt issuances. As of March 31, 2017 and December 31, 2016 and 2015, the Business had $1,352.3 million, $1,362.1 million and $1,320.4 million, respectively, outstanding under the KMI Loans. The underlying notes payable are mostly denominated in U.S. dollars and have five-year terms. As of both March 31, 2017 and December 31, 2016, the Business has a $235.9 million non-interest bearing note payable and the other notes payable have various fixed interest rates ranging from 3.50% to 4.82%, which can be periodically adjusted based on quoted rates obtained from banks. Periodically, individual notes payable and accrued interest may be settled with capital contributions from Kinder Morgan's subsidiaries to the Business. As of March 31, 2017 and December 31, 2016, the Business had \$73.2 million and \$61.8 million of outstanding accrued interest due to Kinder Morgan, which in each case was primarily related to the KMI Loans. See the discussion set forth above under the heading "— *Liquidity and Capital Resources*" and see "*Description of Indebtedness*".

In addition to the foregoing, Kinder Morgan has funded the Business' expansion capital expenditures through intercompany payables. As of March 31, 2017 and December 31, 2016, the Business had \$143.6 million and \$144.3 million of U.S. dollar denominated accounts payable to Kinder Morgan.

Capital Expenditures

The Business accounts for its capital expenditures in accordance with GAAP. The Business also distinguishes between capital expenditures that are sustaining capital expenditures (also referred to as "maintenance" capital expenditures) and those that are expansion capital expenditures (also referred to as "discretionary" capital expenditures). Expansion capital expenditures are those expenditures which increase throughput or capacity from that which existed immediately prior to the addition or improvement, and are not deducted in calculating DCF. Sustaining capital expenditures are those which maintain throughput or capacity. The distinction between maintenance and expansion capital expenditures is a physical determination rather than an economic one, irrespective of the amount by which the throughput or capacity is increased.

Budgeting of sustaining capital expenditures is done annually on a bottom-up basis. For each of its assets, the Business budgets for and makes those sustaining capital expenditures that are necessary to maintain safe and efficient operations, meet customer needs and comply with its operating policies and applicable law. The Business may budget for and make additional sustaining capital expenditures that it expects to produce economic benefits such as increasing efficiency and/or lowering future expenses. Budgeting and approval of expansion capital expenditures are generally made periodically throughout the year on a project-by-project basis in response to specific investment opportunities identified by the business segments from which it generally expects to receive sufficient returns to justify the expenditures. Generally, the determination of whether a capital expenditure is classified as sustaining or as expansion capital expenditures is made on a project level. The classification of capital expenditures as expansion capital expenditures or as sustaining capital expenditures is made consistent with the Business' accounting policies and is generally a straightforward process, but in certain circumstances can be a matter of management judgment and discretion. The classification of capital expenditures has an impact on DCF because capital expenditures that are classified as discretionary capital expenditures are not deducted from DCF, while those classified as sustaining capital expenditures are.

The Business' capital expenditures for the year ended December 31, 2016 and the quarter ended March 31, 2017, and the amount that is expected to be spent by the Business to sustain and grow the Business for the remainder of 2017 are as follows (in thousands of Canadian dollars):

	2016	Q1 2017	Expected 2017 (Remaining)
	(In thousands of Canadian dollars)		
Sustaining capital expenditures	46,226	2,992	42,000
Expansion capital expenditures	231,245(1)	63,379(2)	1,114,000

Notes:

(1) The 2016 amount includes an increase of a combined \$8.4 million of net changes from accrued capital expenditures and contractor retainage that primarily relates to the Trans Mountain Expansion Project and Base Line Terminal project.

(2) Q1 2017 amount includes an increase of a combined \$24.2 million of net changes from accrued capital expenditures and contractor retainage and other adjustments that primarily relate to the Trans Mountain Expansion Project and Base Line Terminal project.

During 2017, the Business estimates sustaining capital expenditures of \$30 million for the Trans Mountain pipeline system, \$14 million for the Terminals segment and \$1 million for the Cochin pipeline system. Set forth below are the expansion capital expenditures made by the Business in the first quarter of 2017 and anticipated to be made throughout the balance of the year (in thousands of Canadian dollars):

	Q1 2017	Expected 2017 (Remaining)
Trans Mountain Expansion Project	27,955	940,000
Trans Mountain — other expansion capital expenditures	426	15,000
Terminals — Base Line Expansion (Tanks)	33,216	124,000
Terminals — Base Line Expansion (Grand Rapids pipeline connection)	—	30,000
Terminals — Base Line Expansion (Keyera Jumper pipeline connection)	—	2,000
Other	1,782	3,000

Off Balance Sheet Arrangements

As at March 31, 2017, the Business had no material off balance sheet arrangements other than those included below.

Contractual Obligations and Commercial Commitments

	Payments due by period				
	Total	Remaining 2017	2 - 3 years	4 - 5 years	More than 5 years
	(In thousands of Canadian dollars)				
Contractual obligations:					
Long-term debt — affiliates	1,352,337	—	250,627	1,101,710	—
Interest payments	314,438	16,781	124,883	119,103	53,671
Leases and rights-of-way obligations(1)	63,318	16,826	31,067	12,813	2,612
Pension and post-retirement welfare plans(2)	74,994	10,918	1,780	1,912	60,384
Other obligations(3)	9,148	5,745	3,146	257	—
Total	1,814,235	50,270	411,503	1,235,795	116,667
Other commercial commitments:					
Standby letters of credit(4)	44,391	44,391	—	—	—
Capital expenditures(5)	135,419	135,419	—	—	—

Notes:

(1) Represents commitments pursuant to the terms of operating lease agreements and liabilities for rights-of-way.

(2) Represents the amount by which the benefit obligations exceeded the fair value of fund assets for pension and other post-retirement benefit plans at March 31, 2017. The payments by period include contributions to funded plans in 2017 and estimated benefit payments for unfunded plans in all years.

(3) Primarily includes environmental liabilities related to sites that the Business owns or has a contractual or legal obligation with a regulatory agency or property owner upon which it will perform remediation activities. These liabilities are included within "Other long-term liabilities and deferred credits" in the Business' historical combined consolidated balance sheets.

(4) A $44.4 million letter of credit outstanding as of March 31, 2017 represents the letter of credits supporting the Pipelines and Terminals segments.

(5) Represents commitments for the purchase of plant, property and equipment as of March 31, 2017.

Cash Flows

The following tables summarize the Business' net cash flows from operating, investing and financing activities for each period presented:

Three Months Ended March 31, **(In thousands of Canadian dollars)**	**2017**	**2016**
Net cash provided by (used in):		
Operating activities	57,246	87,078
Investing activities	(45,734)	(69,436)
Financing activities	—	12,537
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(334)	(1,141)
Net increase in cash and cash equivalents	11,178	29,038

Years Ended December 31, **(In thousands of Canadian dollars)**	**2016**	**2015**	**2014**
Net cash provided by (used in):			
Operating activities	309,703	223,917	357,172
Investing activities	(283,508)	(353,362)	(485,839)
Financing activities	59,923	11,896	90,009
Effect of Exchange Rate Changes on Cash and Cash Equivalents	139	10,601	7,962
Net increase (decrease) in cash and cash equivalents	86,257	(106,948)	(30,696)

Operating Activities

The net decrease of $29.8 million in cash provided by operating activities in the three months ended March 31, 2017 compared to the same period in 2016 was primarily attributable to:

- a $25.7 million net decrease in cash associated with net changes in working capital balances, primarily due to timing in the collection of trade and affiliates receivables and timing of payment of trade and affiliates payables; and
- a $4.1 million decrease in cash from overall net income after adjusting for a period-to-period $65.2 million decrease in net income for non-cash items primarily consisting of the following: (i) change in foreign exchange due to foreign exchange rate on the KMI Loans; (ii) DD&A expenses; (iii) deferred income taxes; (iv) capitalized equity financing costs; and (v) other non-cash items.

The net increase of $85.8 million in cash provided by operating activities in 2016 compared to 2015 was primarily attributable to:

- a $93.7 million net increase in cash associated with net changes in operating assets and liabilities, primarily due to the following: (i) $75.1 million increase in accrued interests due to the timing of payments, and (ii) $18.5 million higher cash flows from favorable changes in the collection and payment of trade and affiliates receivables and payables; and
- a $7.9 million decrease in cash from overall net income after adjusting for a period-to-period $224.7 million increase in net income for non-cash items primarily consisting of the following: (i) change in foreign exchange due to foreign exchange rate on the KMI Loans; (ii) DD&A expenses; (iii) deferred income taxes; (iv) capitalized equity financing costs; and (v) other non-cash items.

The net decrease of $133.3 million in cash provided by operating activities in 2015 compared to 2014 was primarily attributable to:

- a $292.3 million net decrease in cash associated with net changes in operating assets and liabilities, primarily due to the following: (i) $141.5 million decrease in accrued interests due to the timing of payments; (ii) $80.9 million lower cash flows from unfavourable changes in the collection and payment of trade and affiliates receivables and payables; and (iii) $37.7 million decrease in cash due to lower net dock premiums and toll collections received from the Westridge Marine Terminal dock customers; and
- a $159.0 million increase in cash from overall net income after adjusting for a period-to-period $42.4 million decrease in net income for non-cash items primarily consisting of the following: (i) loss due to foreign exchange rate on the KMI Loans; (ii) DD&A expenses; (iii) deferred income taxes; (iv) capitalized equity financing costs; and (v) gain on sale of property, plant and equipment and other miscellaneous non-cash items.

Investing Activities

The $23.7 million net decrease in cash used in investing activities in three months ended March 31, 2017 compared to the same period in 2016 was primarily attributable to a $23.3 million decrease in cash used due to lower capital expenditures.

The $69.9 million net decrease in cash used in investing activities in 2016 compared to 2015 was primarily attributable to a $71.0 million decrease in cash used due to lower capital expenditures.

The $132.5 million net decrease in cash used in investing activities in 2015 compared to 2014 was primarily attributable to a $145.8 million decrease in cash used due to lower capital expenditures, partially offset by a $14.0 million increase in cash used due to contributions made in 2015 to Trans Mountain and Cochin reclamation trusts as restricted funds required by the NEB for estimated future pipeline abandonment costs.

Financing Activities

The net decrease of $12.5 million in cash provided by financing activities in three months ended March 31, 2017 compared to the same period in 2016 was attributable to a $12.5 million proceeds from KMI Loans in 2016 and did not recur in 2017.

The net increase of $48.0 million in cash provided by financing activities in 2016 compared to 2015 was primarily attributable to a $18.7 million increase in cash due to lower distributions paid to Kinder Morgan, a $17.7 million decrease in cash due to lower proceeds from KMI Loans and a $10.7 million increase in cash due to higher contributions received from Kinder Morgan.

The net decrease of $78.1 million in cash provided by financing activities in 2015 compared to 2014 was primarily attributable to a $39.8 million decrease in cash due to distributions paid to Kinder Morgan in 2015 and a $37.4 million decrease in cash due to lower proceeds from KMI Loans.

Risks and Risk Management

Risk management is integral to the successful operation of the Business. The strategy of the Business is to align risks and related exposures with its business objectives and risk tolerance. The financial results of the Business are subject to a number of risks as set out below and under the heading "*Risk Factors*."

Foreign Exchange Risk

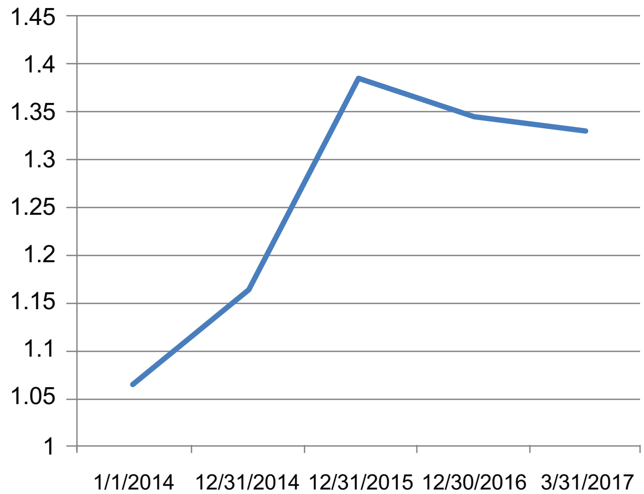
Certain of the businesses comprising the Business generate income in U.S. dollars, but since it reports in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar can affect its net income.

The Business is exposed to foreign currency risk related to the U.S. dollar denominated KMI Loans. As of March 31, 2017, December 31, 2016 and 2015, the Business had KMI Loans of $1,352.3 million, $1,362.1 million, and $1,320.4 million, respectively, presented as "long-term debt-affiliates" in the historical combined consolidated balance sheets included in this prospectus. Foreign exchange rate changes on the long-term debt with affiliates, and associated interest expense, resulted in unrealized foreign exchange gains (losses) of $10.1 million, $29.7 million, $(175.8) million and $(76.0) million for the three months ended March 31, 2017 and the years ended December 31, 2016, 2015 and 2014, respectively. See "*Description of Indebtedness*".

Although the KMI Loans expose the Business to significant foreign exchange risk, there has historically been no net foreign currency exchange risk from the KMI Loans on a Kinder Morgan consolidated basis. As a result, the Business has not historically entered into any foreign currency derivatives and has not historically been engaged in hedging activities related to foreign currency exchange risk. Additionally, concurrent with the Offering, the KMI Loans, affiliated accounts payable and interest payable are expected to be paid off with proceeds from the Offering, which would eliminate the foreign currency risk with respect to the KMI Loans.

The Puget Sound pipeline system operates in Washington State, and earns its revenues and incurs most of its expenses in U.S. dollars. Fluctuations in the U.S. dollar to Canadian dollar exchange rate can affect the earnings contributed by the Puget Sound pipeline system to the overall results of the Business.

The graph below which shows the change in the U.S. dollar against the Canadian dollar from January 1, 2014 to March 31, 2017.



Counterparty Credit Risk

The Business is exposed to the risk of loss in the event of non-performance by its customers or other counterparties. The majority of its accounts receivable are due from entities in the oil and gas business and are subject to normal industry credit risks. Concentration of credit risk is mitigated to some degree by having a broad based domestic and international customer base. The majority of the Business' customers have investment grade credit ratings, or are subsidiaries of investment grade rated parent companies (however such parent entity may not be a guarantor).

As of March 31, 2017, December 31, 2016 and 2015 the Business had no reserve for doubtful accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Business will not be able to meet its financial obligations, including commitments, as they become due. It manages its liquidity risk by ensuring access to sufficient funds to meet its obligations. The Business forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. Historically, the Business' primary sources of liquidity and capital resources have been funds generated from operations and loans from affiliates, including long term debt with Kinder Morgan subsidiaries. The Trans Mountain Expansion Project, currently estimated to cost approximately $7.4 billion (including capitalized financing costs), will require additional third party financing to complete. Accordingly, the Business is expected to secure the Credit Facility. Since the Credit Facility will not be closed concurrent with the closing of the Offering, the Business is expected to have the KMI Credit Lines in place at the closing of the Offering. See "*— Liquidity and Capital Resources*" above, "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — The Company Could be Adversely Affected by a Significant Increase in the Debt Levels of the Business*" and "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — The Company and/or the Business Will Require Access to External Capital*".

Transactions with Affiliates

The Business transacts with Kinder Morgan. Refer to Note 9 of the 2016 historical combined consolidated financial statements for the amounts due to or from affiliates on the historical combined consolidated balance sheets and the classification of revenue, income, and expenses in the historical combined consolidated statements of operations. See also "*— Liquidity and Capital Resources — Long-term Financing*" above.

The Company, the Limited Partnership, the General Partner, KMCC, KM Canada Terminals and Kinder Morgan are expected to enter into several agreements in connection with the closing of the Offering. The Limited Partnership will indirectly acquire the Business from KMCC and KM Canada Terminals (through an acquisition of all of the outstanding securities of KMCU) pursuant to the Contribution Agreements and will issue to each of KMCC and KM Canada Terminals Class B Units, together with the associated Special Voting Shares, and the Acquisition Notes in consideration therefor. In addition, Kinder Morgan and certain parties in the Kinder Morgan Canada Group will enter into the Cooperation Agreement, which will provide for the certain governance matters relating to the Business, and the Company, the General Partner, the Limited Partnership and KMCI will enter into the Services Agreement, under which KMCI, under the supervision of the Company's executive officers and Board of Directors, will provide operational and administrative services in connection with the management of the business and affairs of the Kinder Morgan Canada Group, or where requested, will coordinate on behalf of entities in the Kinder Morgan Canada Group to procure such services from its affiliates. See "*Relationship with Kinder Morgan*" and "*The Company and the Limited Partnership — Services Agreement.*"

Critical Accounting Estimates

Accounting standards require information in financial statements about the risks and uncertainties inherent in significant estimates, and the application of GAAP involves the exercise of varying degrees of judgment. Certain amounts included in or affecting the Business' combined consolidated financial statements and related disclosures must be estimated, requiring it to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time such financial statements are prepared. These estimates and assumptions affect the amounts the Business reports for its assets and liabilities, its revenues and expenses during the reporting period, and its disclosure of contingent assets and liabilities at the date of its financial statements. The Business routinely evaluates these estimates, utilizing historical experience, consultation with experts and other methods it considers reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from the Business' estimates, and any effects on its business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant estimates and judgments made by management in the preparation of the combined consolidated financial statements included in this prospectus are outlined below.

Regulatory Assets and Liabilities

The Trans Mountain and Cochin pipeline operations are regulated by the NEB. The Puget Sound pipeline operations are regulated by the FERC. The NEB and the FERC exercise statutory authority over matters such as construction and operation of facilities, rates and ratemaking, and accounting practices. To recognize the economic effects of the actions of the regulator, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under GAAP for non-regulated businesses. See "*The Business — Regulatory Environment*".

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates, or paid to cover future abandonment costs. Long-term regulatory assets are recorded in deferred charges and other assets and current regulatory assets are recorded in other current assets on the accompanying combined consolidated balance sheets. Long-term regulatory liabilities are included in Long-term liabilities and deferred credits — regulatory liabilities and current regulatory liabilities are recorded in Current liabilities — regulatory liabilities on the accompanying combined consolidated balance sheets. Regulatory assets are assessed for impairment if an event is indicative of possible impairment. The recognition of regulatory assets and liabilities is based on the actions, or expected future actions, of the regulator.

To the extent that the regulator's actions differ from the Business' expectations, the timing and amount of recovery or settlement of regulatory balances could differ significantly from those recorded. In the absence of rate regulation, the Business would generally not recognize regulatory assets or liabilities and the earnings impact would be recorded in the period the expenses are incurred or revenues are earned.

For rate-regulated assets, AFUDC is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC includes both an interest component and, if approved by the regulator, a cost of equity component, which are both capitalized based on rates set out in a regulatory agreement. The Business capitalizes only interest incurred during the construction of non rate-regulated assets.

Impairment of long-lived assets

The Business reviews long-lived assets for impairment whenever events or changes in circumstances lead it to believe it might not be able to recover an asset's carrying value. Impairment losses may be recognized on long-lived assets when estimated future cash flows expected to result from use of the asset and its eventual disposition is less than its carrying amount. The Business had no long-lived asset impairments during the years ended December 31, 2016, 2015 and 2014.

Goodwill

Goodwill is the cost of an acquisition in excess of the fair value of acquired assets and liabilities and is recorded as an asset on the Business' balance sheet. Goodwill is not subject to amortization but must be tested for impairment at least annually. This test requires goodwill to be assigned to an appropriate reporting unit and to determine if the implied fair value of the reporting unit's goodwill is less than its carrying amount.

Goodwill, which is attributable to the Trans Mountain Pipeline system reporting unit, is evaluated for impairment on May 31 of each year. Goodwill is also evaluated for impairment to the extent events or conditions indicate a risk of possible impairment during the interim periods subsequent to the Business' annual impairment test. Generally, the evaluation of goodwill for impairment involves a two-step test, although under certain circumstances an initial qualitative evaluation may be sufficient to conclude that goodwill is not impaired without conducting the quantitative test.

Step 1 involves comparing the estimated fair value of each respective reporting unit to its carrying value, including goodwill. If the estimated fair value exceeds the carrying value, the reporting unit's goodwill is not considered impaired. If the carrying value exceeds the estimated fair value, step 2 must be performed to determine whether goodwill is impaired and, if so, the amount of the impairment. Step 2 involves calculating an implied fair value of goodwill by performing a hypothetical allocation of the estimated fair value of the reporting unit determined in step 1 to the respective tangible and intangible net assets of the reporting unit. The remaining implied goodwill is then compared to the actual carrying amount of the goodwill for the reporting unit. To the extent the carrying amount of goodwill exceeds the implied goodwill, the difference is the amount of the goodwill impairment.

Depreciation

Depreciation of regulated assets is recorded on a straight-line basis over their estimated useful lives. Depreciation rates for regulated assets are approved by the regulator. Non-regulated assets require the use of management estimates of the useful lives of assets. When it is determined that the estimated service life of a non-regulated asset no longer reflects the expected remaining period of benefit, prospective changes are made to the estimated service life.

Income Taxes

The calculation of income tax assets or liabilities is based on assumptions about the timing of many taxable events and the enacted or substantively enacted rates anticipated to be applicable to income in the years in which temporary differences are expected to be realized or reversed. For the three months ended and as of March 31, 2017 and for the years ended and as of December 31, 2016 and 2015, there is no U.S. income tax recognized on earnings from Trans Mountain Pipeline (Puget Sound) LLC as it is a subsidiary of a limited partnership.

Contingent Liabilities

Provisions recognized are based on management's judgment about assessing contingent liabilities and timing, scope and amount of liabilities including liabilities relating to legal and environmental matters. Management uses judgment in determining the likelihood of realization of contingent liabilities to determine the outcome of contingencies.

Employee Benefit Plans

The Business reflects an asset or liability for its pension and other post-retirement benefit plans based on their overfunded or underfunded status. As of December 31, 2016, the Business' pension plan obligations were underfunded by $56.5 million and its other post-retirement benefits plans were underfunded by $19.4 million. The Business' pension and other post-retirement benefit obligations and net benefit costs are estimated based on actuarial calculations. The Business uses various assumptions in performing these calculations, including those related to the return that it expects to earn on its plan assets, the rate at which it expects the compensation of its employees to increase over the plan term, the estimated cost of health care when benefits are provided under its plans and other factors. A significant assumption the Business utilizes is the discount rate used in calculating its benefit obligations. For 2016, the Business selected its discount rates by matching the timing and amount of its expected future benefit payments for its pension and other post-retirement benefit obligations to the average yields of various high-quality bonds with corresponding maturities. The selection of these assumptions is further discussed in Note 11 "*Benefit Plans*" to the Business' combined consolidated financial statements as at December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014. Effective January 1, 2016, the Business changed its estimate of the service and interest cost components of net periodic benefit cost (credit) for its pension and other post-retirement benefit plans. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of the Business' pension and post-retirement benefit obligations and it is accounted for as a change in accounting estimate, which is applied prospectively. The change in the service and interest costs going forward is not expected to be significant.

Actual results may differ from the assumptions included in these calculations, and as a result, the Business' estimates associated with its pension and other post-retirement benefits can be, and often are, revised in the future. The income statement impact of the changes in the assumptions on the Business' related benefit obligations are deferred and amortized into income over either the period of expected future service of active participants, or over the expected future lives of inactive plan participants. As of December 31, 2016, the Business had deferred net losses of approximately $37.6 million in after-tax accumulated other comprehensive loss related to its pension and other post-retirement benefits.

The following table shows the impact of a 1% change in the primary assumptions used in the Business' actuarial calculations associated with its pension and other post-retirement benefits.

	Pension Benefits		Other Post-retirement Benefits	
Year Ended December 31, 2016 (In thousands of Canadian dollars)	**Net benefit cost (income)**	**Change in funded status[(1)]**	**Net benefit cost (income)**	**Change in funded status[(1)]**
One percent increase in:				
Discount rates	(3,900)	31,400	(135)	(2,484)
Expected return on plan assets	(1,700)	—	—	—
Rate of compensation increase	1,800	(6,400)	—	—
Health care cost trends	—	—	237	1,414
One percent decrease in:				
Discount rates	6,000	(38,300)	301	3,162
Expected return on plan assets	1,700	—	—	—
Rate of compensation increase	(1,700)	6,200	—	—
Health care cost trends	—	—	(182)	(1,135)

Note:

(1) Includes amounts deferred as either accumulated other comprehensive income (loss) or as a regulatory asset or liability for certain of the Business' regulated operations.

Accounting Policy Changes

Adoption of New Accounting Pronouncements

Amendments to the Consolidation Analysis

On February 18, 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810) — Amendments to the Consolidated Analysis." This ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The Business adopted ASU No. 2015-02 effective January 1, 2016 with no material impact to its combined consolidated financial statements.

Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued ASU No. 2015-17 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which requires that deferred tax assets and liabilities be classified as non-current on the balance sheet. The new guidance is effective January 1, 2017, however, since early application is permitted, the Business elected to retrospectively apply this guidance on January 1, 2014. Application of this new guidance simplified the Business' process in determining deferred tax amounts and its financial statement presentation.

Changes to Statement of Cash Flows Presentation

On August 26, 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments (Topic 230)." This ASU is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. The Business adopted ASU No. 2016-15 in 2016 with no material impact to its combined consolidated financial statements.

Going Concern Considerations

On August 27, 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures if management concludes that substantial doubt exists or that its plans alleviate substantial doubt that was raised. ASU 2014-15 was adopted by the Business for the year ended December 31, 2016 with no impact to the accompanying combined consolidated financial statements.

Accounting for Inventory

On July 22, 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." This ASU requires entities to subsequently measure inventory at the lower of cost and net realizable value, and defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Business adopted ASU No. 2015-11, which was effective for the Business as of January 1, 2017, with no material impact on the Business' combined consolidated financial statements included in this prospectus.

Future accounting changes

Revenue from contracts with customers (Topic 606)

On May 28, 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" followed by a series of related accounting standard updates (collectively referred to as "Topic 606"). Topic 606 is designed to create greater revenue recognition and disclosure comparability in financial statements. The provisions of Topic 606 include a five-step process by which an entity will determine revenue recognition, depicting the transfer of goods or services to customers in amounts reflecting the payment to which an entity expects to be entitled in exchange for those goods or services. Topic 606 requires certain disclosures about contracts with customers and provides more comprehensive guidance for transactions such as service revenue, contract modifications, and multiple-element arrangements.

The Business is in the process of comparing its current revenue recognition policies to the requirements of Topic 606 for each of its revenue categories. While material differences have not been identified in the amount and timing of revenue recognition for the categories reviewed to date, the evaluation is not complete and no conclusions on the overall impacts of adopting Topic 606 have been made. Topic 606 will require that revenue recognition policy disclosure include further detail regarding the performance obligations as to the nature, amount, timing, and estimates of revenue and cash flows generated from contracts with customers. Topic 606 will also require disclosure of significant changes in contract asset and contract liability balances period to period and the amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, as applicable. Topic 606 will be adopted effective January 1, 2018. Topic 606 provides for adoption either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Business plans to make a determination as to its method of adoption once it more fully completes the evaluation of the impacts of the standard on revenue recognition and is better able to evaluate the cost-benefit of each method.

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." This ASU requires that lessees will be required to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The ASU will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 will be effective for the Business as of January 1, 2019. The Business is currently reviewing the effect of ASU No. 2016-02.

Changes in Restricted Cash as presented in the Statement of Cash Flows

On November 17, 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)." This ASU requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are to be included with cash and cash equivalents when reconciling the beginning of period and end of period amounts shown on the statement of cash flows. ASU No. 2016-18 will be effective for the Business as of January 1, 2018. The effect of this ASU is currently being reviewed.

Goodwill Impairment Testing

On January 26, 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment (Topic 350)" to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU No. 2017-04 will be effective for the Business as of January 1, 2020. The effect of this ASU is currently being reviewed.

Selected Quarterly Financial Data

	2017	2016				2015			
(In thousands of Canadian dollars)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	164,494	174,206	169,511	165,797	166,576	182,801	173,745	154,749	134,594
Operating Income	51,070	56,353	57,432	63,428	60,199	72,428	60,063	61,670	48,090
Unrealized foreign exchange gain (loss)	10,867	(26,741)	(17,039)	5,818	70,554	(40,023)	(70,842)	15,538	(90,032)
Net Income (Loss)	46,767	17,717	20,314	51,755	111,966	11,183	(35,943)	55,712	(53,862)

During the first quarter of 2017 and 2016, the fluctuating Canadian dollar to U.S. dollar exchange rate resulted in quarter to quarter non-cash unrealized exchange gains and losses and a net gain for the year with respect to the KMI Loans denominated in U.S. dollars. Similarly, the change in foreign currency exchange rates during 2015 resulted in a non-cash unrealized net foreign currency exchange loss with respect to the KMI Loans denominated in U.S. dollars.

The Business incurred higher operation and maintenance costs during the second half of 2016 as compared to the first half due to higher repairs and maintenance costs in the Terminals segment and increased pipeline integrity costs on the Cochin pipeline system along with higher environmental costs on the Trans Mountain and Puget Sound pipeline systems.

The commissioning of the Terminals segment's crude by rail terminals joint ventures in November 2014 and May 2015, along with nine additional storage tanks at the Edmonton South Terminal that became operational in 2014, resulted in increasing quarter to quarter revenues and operating income during 2015 and into 2016, which leveled off in the first quarter of 2017.

The completion of the Cochin Reversal Project in the third quarter of 2014 and higher volumes on the Puget Sound pipeline system in 2015 drove increasing revenues and operating income in the Pipelines segment throughout 2015 and into 2016 for the Puget Sound pipeline system.

Outstanding Share Data

As at the date of this prospectus, ten Restricted Voting Shares are issued and outstanding, all of which are held by KMCC. See "*Prior Sales*" and "*Kinder Morgan*".

DIRECTORS AND EXECUTIVE OFFICERS

The following table provides the names and municipalities of residence of the directors and executive officers of the Company and their principal occupation. Mr. Kean, Ms. Dang, Mr. Sanders and Mr. Fournier were appointed as directors on April 21, 2017 and Mr. Ritchie and Mr. Wade were appointed as directors on May 5, 2017. The term of office of all directors of the Company will expire at the first annual meeting of shareholders of the Company and, thereafter, at each annual meeting of shareholders of the Company or at the time at which his or her successor is elected or appointed, or earlier if any director otherwise resigns, is removed or is disqualified. Following closing of the Offering, the board of directors of the General Partner, which is responsible for managing the business and affairs of the Limited Partnership, will be the same as the Board of Directors. Similarly, the executive officers of the General Partner are expected to be the same as the executive officers of the Company. None of the executive officers of the Company will be employed by the Company, with five of the executive officers being primarily located in Canada and employed by KMCI (including Mr. Anderson) and the remaining three executive officers being primarily located in the United States and employed by Kinder Morgan. As a result of their existing roles with Kinder Morgan, the three executive officers of the Company located in the United States and employed by Kinder Morgan will not devote all or a majority of their time to the business and affairs of the Company. See "*— Conflicts of Interest*" below, and see "*The Company and the Limited Partnership — Services Agreement*", "*Description of Share Capital and Partnership Units — The Limited Partnership — Functions and Powers of the General Partner*" and "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Risks Relating to the Company's Relationship with Kinder Morgan*".

Name, Province/State and Country of Residence	Position with the Company	Principal Occupation
Steven J. Kean Houston, Texas, United States	Chair of the Board and CEO	President and CEO and a member of the Office of the Chairman and Director of Kinder Morgan
Kimberly A. Dang Houston, Texas, United States	Director	Vice President and Chief Financial Officer and a member of the Office of the Chairman and Director of Kinder Morgan
Daniel P. E. Fournier Calgary, Alberta, Canada	Director (Independent)(1)(2)(3)(4)	Retired, former barrister and solicitor with Blake, Cassels & Graydon LLP
Gordon M. Ritchie Calgary, Alberta, Canada	Lead Director (Independent)(1)(2)(3)(4)	Retired, former Vice Chairman of RBC Capital Markets

Name, Province/State and Country of Residence	Position with the Company	Principal Occupation
Dax A. Sanders Houston, Texas, United States	Director and CFO	Vice President of Corporate Development of Kinder Morgan
Brooke N. Wade Vancouver, BC, Canada	Director (Independent)(1)(2)(3)(4)	President of Wade Capital Corporation
Ian D. Anderson Calgary, Alberta, Canada	President	President of the Company and an officer of Kinder Morgan (President of Kinder Morgan Canada)
Hugh Harden Calgary, Alberta, Canada	Vice President, Operations	Vice President, Operations of the Company
Norm Rinne Calgary, Alberta, Canada	Vice President, Business Development	Vice President, Business Development of the Company
David Safari Calgary, Alberta, Canada	Vice President, TMEP	Vice President, TMEP of the Company
John W. Schlosser Houston, Texas, United States	President, Terminals	President, Terminals of Kinder Morgan
Scott Stoness Calgary, Alberta, Canada	Vice President, Finance and Corporate Secretary	Vice President, Finance and Corporate Secretary of the Company

Notes:

(1) Member of the Audit Committee. Mr. Ritchie serves as Chair of the Audit Committee.

(2) Member of the Nominating and Governance Committee. Mr. Fournier serves as Chair of the Nominating and Governance Committee.

(3) Member of the Compensation Committee. Mr. Wade serves as Chair of the Compensation Committee.

(4) Member of the Environmental, Health and Safety Committee. Mr. Fournier serves as Chair of the Environmental, Health and Safety Committee.

Directors and Executive Officers Biographical Information

The following are brief profiles of each of the executive officers and directors of the Company, which include a description of their qualifications, present occupation and principal occupations for the past five years and beyond.

Steven J. Kean, Chair of the Board and Chief Executive Officer

Steven J. Kean is the non-independent Chair of the Board of Directors and CEO of the Company and is the President and CEO and a member of the board of directors of Kinder Morgan. Mr. Kean joined Kinder Morgan in 2002 and has held numerous senior management positions within Kinder Morgan, including Executive Vice President of Operations and President of Natural Gas Pipelines. He was Executive Vice President and Chief Operating Officer for Kinder Morgan and its predecessors from 2006 until March 2013, when he was named President and Chief Operating Officer, in which capacity he served until he assumed the CEO role in June 2015. Mr. Kean has worked in the energy industry since 1985 in various commercial, operational and legal positions, primarily in the wholesale energy and pipeline sectors. He holds a bachelor's degree from Iowa State University and a law degree from the University of Iowa.

Kimberly A. Dang, Director

Kimberly A. Dang is a non-independent director of the Company, and Vice President and CFO of Kinder Morgan. Ms. Dang has also been a member of the board of directors of Kinder Morgan since January 2017. Ms. Dang has served as Vice President and CFO for Kinder Morgan and its predecessors and affiliates since

2005, and in various management and senior executive roles since joining Kinder Morgan in 2001. Prior to Kinder Morgan, Ms. Dang spent six years at Goldman Sachs working in the company's real estate investment area. She also worked in Washington, D.C., as a legislative assistant for Congressman Jack Fields and in Austin, Texas, for a venture capital firm. Ms. Dang holds an MBA from the J.L. Kellogg Graduate School of Management at Northwestern University and a bachelor's degree in accounting from Texas A&M University.

Daniel P. E. Fournier, Director

Daniel P. E. Fournier is an independent director of the Company. For over 25 years, Mr. Fournier was a partner at the law firm of Blake, Cassels & Graydon LLP. Prior to his retirement in January 2017, Mr. Fournier led the Finance and Banking group in the firm's Calgary office and obtained significant legal experience in the Middle East and North Africa region, having opened the firm's offices in Bahrain and Saudi Arabia and acted as Chair of Blake, Cassels & Graydon LLP's practice in the region for a number of years. Mr. Fournier has advised on the structuring of numerous private and public financings including with respect to the development of Canada's oil sands industry and advising Canadian companies doing business abroad. His expertise also extends to structuring joint ventures between major energy participants and advising on shareholder agreements, joint venture agreements and corporate governance matters. Mr. Fournier recently served as General Counsel and Corporate Secretary of a public energy company prior to its sale to an international enterprise. He currently sits on the board of the Canada Arab Business Council and the board of DrillBook.com Inc. Mr. Fournier also served as a long-time director of Sports Calgary and was a founder of the Edge School for Athletes in Calgary. Mr. Fournier holds a Bachelor of Commerce from Concordia University (Montreal) and both a B.C.L. and an LL.B. from McGill University. Mr. Fournier was honoured with a Queen's Counsel designation in 2008.

Gordon M. Ritchie, Director

Gordon M. Ritchie is an independent director of the Company. Mr. Ritchie retired in 2016, following a career spanning over 30 years with RBC Capital Markets. He served as Vice-Chairman of RBC Capital Markets from 2005 until his retirement. Mr. Ritchie has extensive experience in investment banking with RBC Capital Markets in Europe, the United States and Canada. He served on the board of directors of Gemini Corporation from 2012 to 2016, and has been a member of the board of governors of the University of Calgary since 2013. Mr. Ritchie was appointed as Chair to the board of governors in 2016. Mr. Ritchie holds an MBA from the University of Western Ontario and a Bachelor of Arts (Economics) from the University of Alberta.

Dax A. Sanders, Chief Financial Officer and Director

Dax A. Sanders is a non-independent director of the Company and Vice President, Corporate Development of Kinder Morgan, a role he has served in for Kinder Morgan and its predecessors and affiliates since March 2013. From 2009 until March 2013, he was a Vice President within Kinder Morgan's Corporate Development group. From 2006 until 2009, Mr. Sanders was Vice President of Finance for Kinder Morgan's Canada business segment. Mr. Sanders joined Kinder Morgan in 2000, and from 2000 to 2006 served in various finance and business development roles within its Corporate Development, Investor Relations, Natural Gas Pipelines and Products Pipelines groups, with the exception of a two year period while he attended business school. Mr. Sanders holds a master's degree in business administration from the Harvard Business School and a master's and a bachelor's degree in accounting from Texas A&M University. He is also a Certified Public Accountant in the State of Texas.

Brooke N. Wade, Director

Brooke N. Wade is an independent director of the Company. Mr. Wade is the President of Wade Capital Corporation, a private investment company active in private equity, oil and gas, real estate and industrial businesses. From 1994 to 2005, Mr. Wade was the co-founder and Chairman and Chief Executive Officer of Acetex Corporation, a publicly traded chemical company specializing in acetyls, specialty polymers, and films. In July 2005, Acetex Corporation was acquired by Blackstone. Prior to founding Acetex, Mr. Wade was founding President and Chief Executive Officer of Methanex Corporation. In 1991, Ocelot Industries spun out its oil and gas assets and began a plan of growth through acquisition into what is today Methanex Corporation — the world's largest methanol producer. Prior to joining Ocelot, he was involved in a number of independent business ventures. Mr. Wade also serves on the boards of several private and public companies including, Novinium Inc., Gran Tierra Energy Inc., Belkin Enterprises Ltd., and is a member of the Advisory Board of Northbridge Capital Partners and a participant of the AEA Investors group of funds. In addition, Mr. Wade is a member of the Dean's Advisory Council of the John F. Kennedy School of Government at Harvard University and the Buck Advisory Council of The Buck Institute for Research on Aging.

Ian D. Anderson, President

Ian D. Anderson is President of the Company and is also the President of Kinder Morgan Canada (a business segment of Kinder Morgan). Mr. Anderson has been with Kinder Morgan and its Canadian predecessor companies for more than 38 years. He was named President of Kinder Morgan Canada in 2005. Mr. Anderson is a Certified Management Accountant and a graduate of the University of Michigan Executive Program. He serves on several boards, including the Canadian Energy Pipeline Association, Association of Oil Pipe Lines and the Business Council of British Columbia.

Hugh Harden, Vice President, Operations

Hugh Harden is Vice President, Operations of the Company and currently holds the position of Vice President, Operations for Kinder Morgan Canada (a business segment of Kinder Morgan). Mr. Harden joined Kinder Morgan Canada in 2004 after working for Terasen, Inc. as Vice President, Operations. Mr. Harden holds a Bachelor of Science in Mechanical Engineering from the University of British Columbia and a Master's of Business Administration from Simon Fraser University. Mr. Harden maintains his designation as a professional engineer in British Columbia. Mr. Harden is a member of the Canadian Energy Pipeline Association Standing Committee on Operations and a member of the Operating and Technical Committee of the American Petroleum Institute.

Norm Rinne, Vice President, Business Development

Norm Rinne is Vice President, Business Development of the Company and currently holds the position of Director, Business Development for Kinder Morgan Canada (a business segment of Kinder Morgan). Mr. Rinne has been with Kinder Morgan and its predecessor companies since 1990. Prior to that, he worked with Gulf Canada Resources in Calgary in the 1980s and was a geotechnical engineering consultant in Vancouver. Mr. Rinne holds a Bachelor of Science in Civil Engineering from the University of Waterloo (Ontario) and a Master's of Science in Geotechnical Engineering from the University of British Columbia. Mr. Rinne maintains his designation as a professional engineer in both Alberta and British Columbia.

David Safari, Vice President, TMEP

David Safari is Vice President, TMEP of the Company and currently holds the position of Vice President, TMEP for Kinder Morgan Canada (a business segment of Kinder Morgan). He joined Kinder Morgan Canada in 2015, prior thereto he worked for Laricina Energy Ltd. as Vice President, Facilities from 2012 to 2015 and Statoil Canada as Senior Director, Projects from 2011 to 2012 Mr. Safari has over 30 years of industry experience in the energy sector. He holds a Bachelor of Science in Chemical Engineering (Oil & Gas) from the Sharif University of Technology in Tehran. Mr. Safari has worked on several major projects in multiple regions and countries around the world.

John W. Schlosser, President, Terminals

John W. Schlosser is President, Terminals of the Company and holds the position of President, Terminals for Kinder Morgan. Mr. Schlosser has served in his current role for Kinder Morgan and its predecessors and affiliates since March 2013. From 2010 until March 2013, he was Senior Vice President and Chief Commercial Officer of Kinder Morgan's Terminals group. Mr. Schlosser joined Kinder Morgan in 2001 as Vice President of Sales and Business Development for Kinder Morgan's Terminals group in connection with Kinder Morgan's purchase of the U.S. pipeline and terminal assets of the GATX Corporation, where he served as Vice President of Sales. Mr. Schlosser has more than 32 years of experience in commodity transportation and logistics, business development and sales, sales management and operations. He previously worked for GATX, CSX

Transportation, Sealand and Consolidated Freightways. Mr. Schlosser holds a Bachelor of Science degree in science from Miami University, Oxford, Ohio. He is a member of the Houston Chapter's American Diabetes Association board and is chairman elect.

Scott Stoness, Vice President, Finance and Corporate Secretary

Scott Stoness is Vice President, Finance and Corporate Secretary of the Company and currently holds the position of Vice President, Regulatory and Finance for Kinder Morgan Canada (a business segment of Kinder Morgan). Mr. Stoness joined Kinder Morgan Canada in 2006 as Vice President, Regulatory. In 2009, Mr. Stoness' role was expanded to include finance accountability. In early 2014 Mr. Stoness' role was expanded to also include external relations activities. Prior to joining Kinder Morgan Canada, Mr. Stoness was the Vice-President of Regulatory for ENMAX Corporation and has worked in the energy sector of Canada and the U.S. for over 34 years. Mr. Stoness has extensive experience in managing projects and people in the area of cost of service, tariff design, cost of capital, facilities applications, risk management, structuring and finance. Mr. Stoness holds a Bachelor of Science in Electrical Engineering from the University of Manitoba and a Master's of Business Administration from the University of Calgary. Mr. Stoness is a member of the Canadian Energy Pipeline Association Executive Business Standing Committee.

Security Ownership by Directors and Executive Officers

As at the date hereof, the directors and executive officers of the Company do not beneficially own or exercise control or direction over, directly or indirectly, any Company Voting Shares.

External Directorships

Certain directors of the Company are also directors of other reporting issuers (or the equivalent)[1]:

Director	Other Directorships	Stock Exchange Listing
Brooke N. Wade	Gran Tierra Energy Inc.	TSX

Note: Mr. Ritchie has been nominated to serve as a director of Gemini Corporation (TSX Venture Exchange) following, and subject to the receipt of shareholder approval at, the annual general and special meeting on May 30, 2017 (or an adjournment(s) thereof).

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this prospectus, or was within ten years before the date of this prospectus, a director, chief executive officer or chief financial officer of any company (including the Company), that: (i) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons) or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (i) is, as of the date of this prospectus, or has been within the ten years before the date of this prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain conflicts of interest could arise as a result of the relationships among the Company, Kinder Morgan and its affiliates and the General Partner and it is contemplated that, following closing of the Offering, the board of directors of the General Partner will be the same as the Board of Directors and the executive officers of the General Partner are expected to be the same as the executive officers of the Company.

Following completion of the Reorganization and closing of the Offering, Kinder Morgan, indirectly through its indirect wholly-owned subsidiaries KMCC and KM Canada Terminals, will hold the controlling voting interests in the Company, including with respect to the right to vote for the election of directors to the Board of Directors. In addition, following closing of the Offering and completion of the Reorganization, the Company will be the sole shareholder of the General Partner and, as such, Kinder Morgan will indirectly, through controlling the Company's voting rights, have the ability to influence the election of the directors to the board of directors of the General Partner. In its capacity as general partner of the Limited Partnership — which will hold the Business — the General Partner will be authorized to manage, administer and operate the business and affairs of the Limited Partnership, to make all decisions regarding the business of the Limited Partnership and to bind the Limited Partnership in respect of any such decisions, subject to certain limitations contained in the Limited Partnership Agreement. As a result of the foregoing, Kinder Morgan will, indirectly through its controlling voting interest in the Company and corresponding ability to influence the elections of directors, have the ability to influence the overall management of the Business. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan*", "*Material Contracts*" and "*Risk Factors — Risks Relating to the Company's Relationship with Kinder Morgan*".

Subject to applicable law and pursuant to the Cooperation Agreement, Kinder Morgan and its affiliates will not be prohibited from competing with the Company and its affiliates; however, pursuant to the Cooperation Agreement, in the event that the interests of the Kinder Morgan Group come into conflict with those of the Kinder Morgan Canada Group with respect to any specific matter or transaction (including a transaction involving the transfer of assets and/or liabilities from a member of the Kinder Morgan Group to a member of the Kinder Morgan Canada Group), the independent directors of the Board of Directors shall be responsible to take all such actions and make all such decisions relating to such conflict as it pertains to the applicable member of the Kinder Morgan Canada Group. In addition, under the Cooperation Agreement, the parties have entered into certain agreements with respect to future Opportunities. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*".

The ABCA provides that in the event that an officer or director is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such officer or director shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction, unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

Indebtedness

The Company is not aware of any individuals who are either current or former executive officers, directors or employees of the Company and who have indebtedness outstanding as at the date hereof (whether entered into in connection with the purchase of securities of the Company or otherwise) that is owing to: (i) the Company; or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

Insurance Coverage and Indemnification

The Company will acquire, prior to closing of the Offering, and maintain liability insurance for its directors and officers with coverage and terms that are customary for a company of its size in its industry of operations. In addition, the Company will enter into indemnification agreements with its directors and officers. The indemnification agreements will generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company and its subsidiaries (including the General Partner) as directors and officers, if the indemnitees acted honestly and in good faith with a view to the best interests of the Company and, with respect to criminal or administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements will also provide for the advancement of defence expenses to the indemnitees by the Company.

CORPORATE GOVERNANCE

In connection with the Offering, the Board of Directors has adopted or will adopt charters, mandates, position descriptions and corporate governance principles, policies and practices that are intended to meet or exceed the independence and other governance standards and guidelines set out in NI 52-109, NI 52-110, NI 58-101 and NP 58-201. The corporate governance principles will address various topics, including:

- responsibilities and duties of the Board of Directors;
- composition of the Board of Directors, including qualifications, diversity considerations, criteria for remaining a director and mechanisms for board renewal;
- compensation of the Board of Directors;
- composition and responsibilities of board committees;
- relationship of the Board of Directors to the Company's management; and
- director orientation and continuing education.

Independence of the Board of Directors

The Board of Directors shall have such number of "independent" (as such term is defined by NI 58-101) directors as required by applicable law. Upon closing of the Offering, the Company will have six directors, three of whom are independent. A director is independent if he or she has no direct or indirect material relationship with the Company or its subsidiaries. A "material relationship" is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Certain types of relationships are, by their nature, considered to be material relationships.

Steven J. Kean and Dax A. Sanders are not independent because they are each executive officers of Kinder Morgan, which is an affiliated entity of the Company, and also serve as CEO and CFO of the Company, respectively. Similarly, Kimberly A. Dang is not independent because she is an executive officer of Kinder Morgan, which is an affiliated entity of the Company.

The Board of Directors does not have an independent director as Chair of the Board. Rather, it has a Lead Director and has developed a procedure for the independent directors to function independently of management and, where necessary, Kinder Morgan. The Board of Directors has adopted a fixed *in camera* agenda item for each board and committee meeting, during which independent directors, under the direction of the Lead Director or committee chair, may meet without any members of management or non-independent directors present. Gordon M. Ritchie, one of the Company's independent directors, has been appointed as Lead Director. In his role as Lead Director, Mr. Ritchie will be responsible for moderating the *in camera* Board of Directors meetings held by the independent directors and acting as principal liaison between the independent directors and the Chair of the Board on matters dealt with in such *in camera* sessions. In the absence of the Chair of the Board, the Lead Director shall preside at meetings of the Board of the Directors.

Board of Directors' Mandate

The primary responsibility of the Board of Directors is to oversee the management of the Company with a view to enhancing the value of the Company and ensuring the conduct of the Business in an ethical and legal manner through an appropriate system of corporate governance and internal controls. The Board of Directors will manage or supervise the management of the business and affairs of the Company. Subject to the provisions of the ABCA, the Board of Directors may delegate certain of those powers and authority that the directors of the Company, or independent directors, as applicable, deem necessary or desirable to effect the actual administration of the duties of the Board of Directors. In connection with the management of the business and affairs of the Company, the Board of Directors has authorized the Company to enter into each of the Services Agreement and the Cooperation Agreement. See "*The Company and the Limited Partnership — Services Agreement*" and "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*". The directors of the Company have certain responsibilities as more particularly described in the Mandate of the Board of Directors, a copy of which is attached to this prospectus as Appendix "A". See "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business*" and "*Risk Factors — Risks Relating to the Company's Relationship with Kinder Morgan*". See also "*Directors and Executive Officers — Conflicts of Interest*".

Position Descriptions

The Board of Directors has adopted position descriptions for the Chair of the Board and the Chair of each of the Audit Committee, Nominating and Governance Committee, Compensation Committee and Environmental, Health and Safety Committee.

The primary responsibilities of the Chair of the Board include: (i) ensuring that the Board of Directors is properly organized, functions effectively and meets its obligations and responsibilities in all aspects of its work, while not interfering with the ongoing operations of the Company or the Business; and (ii) co-ordinating the affairs of the Board of Directors and ensuring effective relations with senior management, the directors of the Company, shareholders and other stakeholders.

The responsibilities of the Chair of each standing committee include: (i) ensuring that the committee is properly organized, functions effectively and meets its obligations and responsibilities in accordance with its mandate; and (ii) liaising and communicating with the Chair of the Board to co-ordinate input from the committee for meetings of the Board of Directors.

Mr. Kean has been appointed by and serves under the supervision of the Board of Directors. No position description for the CEO of the Company has been developed. Mr. Kean will be responsible for developing and executing the strategic direction of the Kinder Morgan Canada Group and the Business in consultation with the President, who is the executive officer with principal responsibility for administration.

Orientation and Continuing Education

The orientation and continuing education of the directors of the Company is the responsibility of the Board of Directors under the guidance of the Chair of the Board. The details of the orientation of new directors will be tailored to their needs and areas of expertise and will include the delivery of written materials and participation in meetings with management and directors. The focus of the orientation program will be on providing new directors with: (i) information about the duties and obligations of directors; (ii) information about the Company's strategy and business and the strategy and business of the Business; (iii) the expectations of directors; (iv) opportunities to meet with management and any other senior employees or consultants designated for this purpose (including those provided by KMCI pursuant to the Services Agreement); and (v) access to documents from recent meetings of the Board of Directors.

The directors of the Company have all been chosen for their specific level of knowledge and expertise. All directors will be provided with materials relating to their duties, roles and responsibilities. In addition, directors will be kept informed as to matters impacting, or which may impact, the business of the Company and the Business through reports and presentations by internal and external presenters at meetings of the Board of Directors and during periodic strategy sessions held by the Board of Directors.

Code of Ethics

The Board of Directors has adopted a written Code of Business Conduct and Ethics (the "**Code of Ethics**") that encourages and promotes a culture of ethical business conduct that is applicable to all directors, management, employees and consultants of the Company. The Audit Committee is responsible for the implementation and administration of the Code of Ethics. A copy of the Code of Ethics will be made available on SEDAR at www.sedar.com under the Company's profile.

Nomination and Election of Directors

The Board of Directors, on the advice of the Nominating and Governance Committee, is responsible for recommending suitable candidates for nomination for election as directors of the Company in accordance with the terms of its mandate. Candidates for election may be directors, officers or employees of Kinder Morgan or its affiliates.

The holders of Restricted Voting Shares and Special Voting Shares, voting together as one class, are entitled to elect directors of the Company. The Board of Directors has adopted a policy requiring that a director tender his or her resignation if the director receives more "withhold" votes than "for" votes at any meeting where shareholders vote on the uncontested election of directors. Under the policy, absent exceptional circumstances, the Board of Directors will accept the resignation consistent with an orderly transition. The director will not participate in any deliberations on the offer of resignation. The Board of Directors will make its decision to accept or reject the resignation within 90 days. The Board of Directors may fill the vacancy in accordance with the Company's by-laws and applicable corporate laws.

The Company has not currently adopted term limits for directors on the Board of Directors or other mechanisms for board renewal. The Company is of the view that the current composition of the Board of Directors is efficient, that term limits are not necessary to ensure appropriate board renewal and that, in any event, limitations arbitrarily restrict the pool of talent available for service on the Board of Directors.

In addition, the Company's by-laws also include "advance notice provisions" designed to: (i) facilitate an orderly and efficient annual meeting or, where the need arises, special meeting, process; (ii) ensure that all shareholders receive adequate notice of director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation. As a whole, these provisions are intended to provide shareholders, directors and management of the Company with a clear framework for nominating directors. These provisions set deadlines for a certain number of days before a shareholders' meeting for a shareholder to notify the Company or his, her or its intention to nominate one or more directors, and explains the information that must be included with the notice for it to be valid. In particular, in the case of an annual meeting of shareholders, notice must be given to the Company not less than 30 days prior to the date of the meeting or, where the Company is using notice-and-access for delivery of proxy-related materials, not less than 40 days prior to the date of the meeting; provided, however, that in either circumstance, if the meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of meeting was made, notice shall be given not later than the close of business on the tenth day following such public announcement. In the case of a special meeting (which is not also an annual meeting) of shareholders, notice must be given not later than the close of business on the fifteenth day following the date on which the first public announcement of the date of the meeting was made. The Company's by-laws are available on SEDAR at www.sedar.com.

Board Committees

The Board of Directors has appointed four standing committees: the Audit Committee, the Nominating and Governance Committee, the Compensation Committee and the Environmental, Health and Safety Committee.

Audit Committee

The Audit Committee is comprised of Gordon M. Ritchie, as Audit Committee Chair, Daniel P. E. Fournier and Brooke N. Wade, all of whom are "independent" and "financially literate" within the meaning of such terms under NI 52-110. The specific responsibilities of the Audit Committee are set out in the Audit Committee Charter, a copy of which is attached to this prospectus as Appendix "B". The committee's primary role is to: (i) monitor the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, accounting and legal compliance and disclosure controls and procedures; (ii) monitor the Company's compliance with legal and regulatory requirements; (iii) subject to the rights of shareholders and applicable law, recommend for appointment, engage, oversee, retain, compensate and evaluate the Company's external auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company's external auditors, and establish the fees and other compensation to be paid to the external auditors; (iv) monitor and evaluate the qualifications, independence and performance of the Company's external auditors and internal auditing function; and (v) establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and provide an avenue of communication among the external auditors, management, the internal auditing function and the Board of Directors.

The Company believes that each of the members of the Audit Committee possesses substantially all of the following: (i) an understanding of the accounting principles used by the Company to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting. For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see "*Directors and Executive Officers — Directors and Executive Officers Biographical Information*".

PricewaterhouseCoopers LLP in Canada is the Company's auditor and was appointed in connection with the incorporation of the Company. PricewaterhouseCoopers LLP in the United States has served as Kinder Morgan's auditor continuously since the inception of Kinder Morgan and its predecessor entity.

The Audit Committee, or the Audit Committee Chair or other members of the Audit Committee delegated such authority by the Audit Committee, has the sole authority to and must approve in advance any non-audit services performed by the Company's external auditors, including tax services. Notwithstanding the foregoing, to the extent prohibited by law, the Company's external auditors may not provide the following services to the Company: (i) bookkeeping or other services related to the accounting records or financial statements of the Company; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions; (vii) human resources; (viii) broker or dealer, investment adviser, or investment banking services; (ix) legal services; (x) expert services unrelated to the audit; and (xi) any other service that the applicable securities regulatory authorities determine, by regulation, is impermissible. The decisions of any member or members of the Audit Committee to whom authority has been delegated to approve in advance non-audit services, will be presented to the Audit Committee at its next meeting.

Nominating and Governance Committee

The Nominating and Governance Committee is comprised of Daniel P. E. Fournier, as Nominating and Governance Committee Chair, Gordon M. Ritchie and Brooke N. Wade, all of whom are "independent" within the meaning of such term under NI 58-101.

The primary role of the Nominating and Governance Committee is to: (i) make recommendations regarding the size of the Board of Directors; (ii) identify individuals qualified to become Board of Directors members, and recommend director nominees to the Board of Directors for election at each annual meeting of the shareholders of the Company; (iii) identify from among the members of the Board of Directors and report to the Board of Directors on individuals recommended to serve as members of the various committees of the Board of Directors; (iv) annually re-evaluate the Board Mandate and recommend to the Board of Directors any changes that the Nominating and Governance Committee deems necessary or appropriate; and (v) periodically evaluate Board of Directors and committee performance.

Compensation Committee

The Compensation Committee is comprised of Brooke N. Wade, as Compensation Committee Chair, Daniel P. E. Fournier and Gordon M. Ritchie, all of whom are "independent" within the meaning of such term under NI 58-101.

The primary role of the Compensation Committee is to: (i) develop and recommend to the Board of Directors, the annual compensation, direct and indirect, to be received by the members of senior management of the Company (other than those who are also employees of Kinder Morgan) and paid by KMCI; (ii) review new executive compensation programs; (iii) assess and monitor the Company's director compensation programs; (iv) review on a periodic basis the effectiveness of the Company's director and executive compensation to determine whether they are properly coordinated and achieving their intended purpose; (v) take steps to monitor any executive compensation program that yields payments and benefits that are not reasonably related to executive and institutional performance or are not competitive in the aggregate to programs of peer businesses; (vi) produce disclosure relating to director and executive compensation for inclusion in the Company's periodic disclosure as required by applicable securities laws; and (vii) periodically review and assess the Company's compensation and benefits plans of broad application.

Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee is comprised of Daniel P. E. Fournier, as Environmental, Health and Safety Committee Chair, Gordon M. Ritchie and Brooke N. Wade, all of whom are "independent" within the meaning of such term under NI 58-101.

The primary role of the Environmental Health and Safety Committee is to assist the Board of Directors in fulfilling certain of its oversight responsibilities by, among other things, overseeing the establishment and administration of the environmental, health and safety policies, programs, procedures and initiatives for the Business, including those as will promote the safety and health of its employees, contractors, customers, the public and the environment, and reviewing periodically the reputation of the Kinder Morgan Canada Group as a responsible corporate citizens and efforts to employ sustainable business practices consistent with the purpose and values of the Business.

Assessment of Directors, the Board of Directors and Board Committees

The members of the Board of Directors, under the leadership of the Chair of the Board, will collectively assess the performance of the Board of Directors as a whole, each standing committee of the Board of Directors and all directors. Such assessment will occur annually and seek to determine whether the Board of Directors and its committees are functioning effectively and identify specific areas, if any, in need of improvement or strengthening.

Diversity

The Company has not adopted a formal diversity policy. The implementation of a diversity policy will be reconsidered by the Nominating and Governance Committee from time to time. The Company recognizes that diversity is an important attribute of a well-functioning leadership team. The Board of Directors is comprised of one female director (approximately 17%) and five male directors (approximately 83%) and, of the eight executive officers of the Company, none are female.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

The executive officers of the Company are Steven J. Kean, Dax A. Sanders, Ian D. Anderson, Hugh Harden, Norm Rinne, David Safari, John W. Schlosser and Scott Stoness. Each of Mr. Kean, Mr. Sanders, Mr. Anderson and Mr. Schlosser also currently serves as an executive officer of Kinder Morgan.

The compensation of Company executive officers who are employees of KMCI (including Mr. Anderson) will be determined by the Company's Board of Directors, based on recommendations developed by the Compensation Committee in consultation with the Company's senior management. The compensation of executive officers who are employees of Kinder Morgan is, and will continue to be, determined exclusively by the board of directors and compensation committee of Kinder Morgan and allocated among Kinder Morgan and its subsidiaries, including KMCI, in accordance with the existing policies of Kinder Morgan, with each subsidiary being responsible for paying its allocated portion. No profit or margin is charged in such allocation, unless otherwise required by applicable laws. At this time, the Company has not developed a methodology for, and has not settled the significant elements of, its executive compensation for the executive officers that will be employed by KMCI. In addition, the allocated portion of the compensation of the Company's executive officers that will continue to be employed by Kinder Morgan for the remainder of 2017 or for future periods will be made based on records kept by the applicable executive officers based on the time that is spent on the business of the Company relative to other components of Kinder Morgan's overall business.

The Company estimates that, for the remainder of 2017, the amount that will be paid by KMCI or allocated to the Kinder Morgan Canada Group in respect of the executive officers' compensation will be approximately $9.4 million. See "*The Company and the Limited Partnership — Services Agreement*".

RSU Plan

Overview

Effective upon closing of the Offering, the Company will adopt the RSU Plan for employees of the Company and its affiliates (including employees of KMCI, as the service provider under the Services Agreement) ("**Grantees**"). The purpose of the RSU Plan is to provide incentive to employees of the Company and its affiliates for future endeavors and to advance the interests of the Company and its shareholders to enable the Company to compete effectively for the services of employees. The RSU Plan will be administered by the Board of Directors, which will have authority to construe and interpret the RSU Plan, including any questions in respect of any RSUs granted thereunder.

No RSUs have been granted as of the date hereof and none are anticipated to be granted prior to or concurrently with closing of the Offering. Grants of RSUs in the future will be determined by the Board of Directors as part of its ongoing executive and employee compensation program.

Grants and Vesting of RSU Awards

Under the RSU Plan, the Company may, in its discretion, award RSUs, which are effectively "phantom" Restricted Voting Shares, to Grantees, each of which will initially have a notional value equivalent to the value of a Restricted Voting Share. RSUs will vest and be settled at the end of a "restricted period" determined by the Board of Directors. Upon the expiration of the restricted period, and subject to the satisfaction of any performance goals (as described below) required to be achieved for all or a portion of such RSUs to vest and become payable, the Company will pay to the Grantee either (i) a number of Restricted Voting Shares equal to the number of vested RSUs, or (ii) an amount in cash equal to the fair market value of the Restricted Voting Shares otherwise issuable (generally being the closing price of the Restricted Voting Shares on the TSX on the day of vesting).

At the discretion of the Board of Directors, each RSU may be credited with cash and stock dividends equivalent to those paid on a Restricted Voting Share while the RSU is outstanding, and such cash dividend equivalents will be paid to the Grantee in cash either at approximately the time such dividends are paid on the Restricted Voting Shares or at the time of settlement of the RSU. KMCI's historic practice has been to make dividend equivalent payments to employees quarterly at approximately the time dividends are paid on Kinder Morgan's outstanding common stock, and the RSU Plan provides discretion to the Board of Directors to continue this practice. To the extent such cash dividend payments are deferred until settlement and an RSU is forfeited prior to settlement, the Grantee will have no right to such dividend equivalent payments.

In connection with the grant of RSUs, the Board of Directors may set certain performance goals that must be achieved in order for all or a portion of such RSUs to vest and become payable at the end of the applicable restricted period. Such performance goals will generally consist of one or more financial or operational metrics or share performance metrics. Any payments made under the RSU Plan are subject to applicable withholding tax requirements.

Restricted Voting Shares Reserved for Issuance

The RSU Plan provides that the number of Restricted Voting Shares that may be issued or issuable from the treasury of the Company pursuant to RSU awards shall not exceed 5,000,000 Restricted Voting Shares at any time. Additionally, the RSU Plan provides that the number of Restricted Voting Shares reserved for issuance from the treasury of the Company under all "security based compensation arrangements" (as defined by the TSX) shall not exceed 5,000,000 Restricted Voting Shares at any time. A "security based compensation arrangement" generally means any other plan under which equity securities can be issued from the Company's treasury.

If any RSU is terminated, cancelled or has expired without being fully exercised, or is settled for cash, any unissued Restricted Voting Shares which have been reserved for issuance upon the vesting and settlement of the RSU shall become available to be issued upon the settlement of RSUs subsequently granted under the RSU Plan.

In addition, no RSUs shall be granted under the RSU Plan if, together with any other security based compensation arrangement established or maintained by the Company, such grant of RSUs could result, at any time, in the aggregate number of Restricted Voting Shares (i) issued to insiders of the Company, within any one-year period and (ii) issuable to insiders of the Company, at any time, exceeding the lesser of 5,000,000 Restricted Voting Shares and 10% of the issued and outstanding Restricted Voting Shares.

Forfeiture in Certain Circumstances

RSUs shall be subject to forfeiture until the expiration of the restricted period and satisfaction of any applicable performance goals during such period (as determined by the Board of Directors and set forth in the applicable RSU award agreement). To the extent such RSUs are forfeited, all rights of the Grantee to such RSUs shall terminate. Upon the termination of employment with or service to the Company or any of its affiliates during the applicable restricted period, RSUs held by a Grantee shall be forfeited, unless the Board of Directors determines that such forfeiture will be waived in whole or in part in the applicable award agreement or otherwise. In the event of a change in control (as such term is defined in the RSU Plan) of the Board of Directors, in its discretion, may take any action with respect to outstanding RSUs that it deems appropriate, which action may vary among RSUs granted to individual Grantees.

Effect of Certain Transactions

If the outstanding Restricted Voting Shares shall be changed in number or class by reason of split-ups, spin-offs, combinations, mergers, consolidations or recapitalizations, or by reason of stock dividends, the number of RSUs which may be issued pursuant to RSU awards shall be adjusted so as to reflect such change, all as determined by the Board of Directors. If there shall be any other change in the number or kind of the outstanding Restricted Voting Shares, or of any stock or other securities or property into which such Restricted Voting Shares shall have been changed or exchanged, then if the Board of Directors determines that such change equitably requires an adjustment in any RSU award, such adjustment shall be made in accordance with such determination. All such adjustments shall be subject to the approval of the TSX.

Notwithstanding the above, but subject to any particular award agreement, in the event of any of the following: (i) the Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity or outstanding RSU awards are not to be assumed upon consummation of the proposed transaction; (ii) all or substantially all of the assets of the Company are acquired by another person; (iii) the reorganization or liquidation of the Company; or (iv) the Company shall enter into a written agreement to undergo an event described in clause (i), (ii) or (iii) above, then the Board of Directors may, in its discretion and upon at least 10 days' advance notice to the affected persons, cancel any outstanding RSU awards and cause the holders thereof to be paid in cash the value of such RSU awards based upon the price per Restricted Voting Share received or to be received by holders of Restricted Voting Shares in the applicable event. Furthermore, in the event of a change in control of the Company, the Board of Directors, in its discretion, may take any action with respect to outstanding RSU awards that it deems appropriate, which action may vary among RSU awards granted to individual Grantees; provided, however, that such action shall not reduce the value of an RSU award.

Amendments to the RSU Plan

The Board of Directors may, at any time, without the approval of Company Voting Shareholders, suspend, discontinue or amend the RSU Plan or an RSU awarded thereunder. However, the Board of Directors may not amend the RSU Plan or an RSU without the approval of the holders of a majority of Company Voting Shares who vote at a shareholder meeting to: (i) increase the number of Restricted Voting Shares, or the percentage of the issued and outstanding Company Voting Shares, reserved for issuance pursuant to the RSU Plan; (ii) expand the categories of individuals who are eligible to participate in the RSU Plan; (iii) remove or increase the limits on the number of Restricted Voting Shares issuable to any individual holder or to insiders as described under "— *Restricted Voting Shares Reserved for Issuance*" above; (iv) permit the transfer or assignment of RSUs, except to permit a transfer to a family member, an entity controlled by the holder of the RSUs or a family member, a charity or for estate planning or estate settlement purposes; or (v) amend the amendment provisions of the RSU Plan; unless the change to the RSU Plan or an RSU results from the application of the customary anti-dilution provisions of the RSU Plan. Additionally, no suspension, discontinuance or amendment may be made by the Board of Directors in respect of previously issued RSUs that would adversely alter or impair those awards without the consent of the affected holder. For greater certainty, the exercise by the Board of Directors of any discretion provided for in the RSU Plan, including to set or amend applicable performance goals, will not be considered to be an amendment to the RSU Plan or an RSU. Any amendments to the RSU Plan are also subject to the requirements of the TSX or other applicable regulatory bodies.

Compensation of Directors

The Board's director compensation policies will provide that directors who are not also executive officers of the Company or employees of Kinder Morgan will be paid an annual retainer of $175,000. The Company will reimburse directors for all reasonable expenses incurred in connection with board or committee meetings.

Director RSU Plan

Overview

Effective upon closing of the Offering, the Company will adopt the Director RSU Plan for directors who are not salaried employees of the Company or Kinder Morgan ("**Non-Employee Directors**"). The purpose of the Director RSU Plan is to align the compensation of Non-Employee Directors with the interests of the Company and its shareholders.

The Director RSU Plan will be administered by the Board of Directors, which will have authority to construe and interpret the Director RSU Plan, including any questions in respect of any RSUs granted thereunder.

No RSUs have been granted as of the date hereof and none are anticipated to be granted prior to or concurrently with closing of the Offering. Grants of RSUs in the future will be determined by the Board of Directors as part of its ongoing director compensation program.

Grants and Vesting of RSUs

Under the Director RSU Plan, a Non-Employee Director may elect to receive, in satisfaction of all or a portion of cash compensation otherwise payable to the Non-Employee Director in accordance with the Company's director compensation program, a number of RSUs with a notional value, based on the fair market value of Restricted Voting Shares (generally being the closing price of the Restricted Voting Shares on the TSX on the day the cash compensation is awarded), equal to the value of the cash compensation elected to be satisfied in the form of RSUs. Any RSUs granted under the Director RSU Plan will be subject to forfeiture restrictions, which shall lapse no later than the end of the calendar year to which the cash compensation underlying the RSUs relates.

The Restricted Voting Shares issued to Non-Employee Directors in settlement of RSUs granted under the Director RSU Plan shall either be newly issued Restricted Voting Shares, or Restricted Voting Shares purchased on the open market on behalf of the Non-Employee Director.

At the discretion of the Board of Directors, each RSU may be credited with cash and stock dividends equivalent to those paid on a Restricted Voting Share while the RSU is outstanding, and such cash dividend equivalents will be paid to the Non-Employee Director in cash either at approximately the time such dividends are paid on the Restricted Voting Shares or at the time of settlement of the RSU. KMCI's historic practice has been to make dividend equivalent payments quarterly at approximately the time dividends are paid on Kinder Morgan's outstanding common stock, and the Director RSU Plan provides discretion to the Board of Directors to continue this practice. To the extent such cash dividend payments are deferred until settlement and an RSU is forfeited prior to settlement, the Non-Employee Director will have no right to such dividend equivalent payments.

Any payments made under the Director RSU Plan are subject to applicable withholding tax requirements.

Restricted Voting Shares Reserved for Issuance

The Director RSU Plan provides that the number of Restricted Voting Shares that may be issued or issuable from the treasury of the Company pursuant to Director RSU Plan awards shall not exceed 500,000 Restricted Voting Shares at any time. Additionally, the Director RSU Plan provides that the number of Restricted Voting Shares reserved for issuance from the treasury of the Company under all "security based compensation arrangements" (as defined by the TSX) shall not exceed 5,000,000 Restricted Voting Shares at any time. A "security based compensation arrangement" generally means any other plan under which equity securities can be issued from the Company's treasury, and includes the Company's RSU Plan.

In addition, no Restricted Voting Shares shall be issued under the Director RSU Plan if, together with any other security based compensation arrangement established or maintained by the Company, such grant of Restricted Voting Shares could result, at any time, in the aggregate number of Restricted Voting Shares (i) issued to insiders of the Company, within any one-year period and (ii) issuable to insiders of the Company, at any time, exceeding the lesser of 5,000,000 Restricted Voting Shares and 10% of the issued and outstanding Restricted Voting Shares.

Forfeiture in Certain Circumstances

RSUs issued under the Director RSU Plan shall be subject to forfeiture until the expiration of the forfeiture restrictions. To the extent such Restricted Voting Shares are forfeited, all rights of the Non-Employee Director to such RSUs shall terminate. Upon the termination of service as a director prior to the lapsing of the applicable forfeiture restrictions, such RSUs shall be forfeited.

In the event of a change in control (as such term is defined in the Director RSU Plan), the Board of Directors, in its discretion, may take any action that it deems appropriate with respect to outstanding RSUs in respect of which the forfeiture restrictions have not lapsed.

Effect of Certain Transactions

If the outstanding Restricted Voting Shares shall be changed in number or class by reason of split-ups, spin-offs, combinations, mergers, consolidations or recapitalizations, or by reason of stock dividends, the number of Restricted Voting Shares which may be issued pursuant to the Director RSU Plan shall be adjusted so as to reflect such change, all as determined by the Board of Directors. If there shall be any other change in the number or kind of the outstanding Restricted Voting Shares, or of any stock or other securities or property into which such Restricted Voting Shares shall have been changed or exchanged, then if the Board of Directors determines that such change equitably requires an adjustment in any award under the Director RSU Plan, such adjustment shall be made in accordance with such determination. All such adjustments shall be subject to the approval of the TSX.

Amendments to the Director RSU Plan

The Board of Directors may, at any time, without the approval of Company Voting Shareholders, suspend, discontinue or amend the Director RSU Plan or an RSU awarded thereunder. However, the Board of Directors may not amend the Director RSU Plan or an RSU without the approval of the holders of a majority of Company Voting Shares who vote at a shareholder meeting to: (i) increase the number of Restricted Voting Shares, or the percentage of the issued and outstanding Company Voting Shares, reserved for issuance pursuant to the Director RSU Plan; (ii) expand the categories of individuals who are eligible to participate in the Director RSU Plan; (iii) remove or increase the limits on the number of Restricted Voting Shares issuable to any individual holder or to insiders as described under " — *Restricted Voting Shares Reserved for Issuance*" above; or (v) amend the amendment provisions of the Director RSU Plan; unless the change to the Director RSU Plan or an RSU results from the application of the customary anti-dilution provisions of the Director RSU Plan. Additionally, no suspension, discontinuance or amendment may be made by the Board of Directors in respect of previously issued RSUs that would adversely alter or impair those awards without the consent of the affected Non-Employee Director. For greater certainty, the exercise by the Board of Directors of any discretion provided for in the Director RSU Plan will not be considered to be an amendment to the Director RSU Plan or an RSU. Any amendments to the Director RSU Plan are also subject to the requirements of the TSX or other applicable regulatory bodies.

PLAN OF DISTRIBUTION

The Offering consists of 102,942,000 Restricted Voting Shares. See "*Description of Share Capital and Partnership Units*" for a description of the attributes of the Restricted Voting Shares.

Under an agreement dated May 25, 2017 among the Company, Kinder Morgan and the Underwriters (the "**Underwriting Agreement**"), the Company has agreed to sell and the Underwriters have agreed to purchase on May 30, 2017 or such other date as the Company, Kinder Morgan and the Underwriters may agree (notwithstanding the foregoing, under certain circumstances Kinder Morgan and the Company may, in their sole discretion, designate May 31, 2017 as the closing date of the Offering), the 102,942,000 Restricted Voting Shares offered under this prospectus at a price of $17.00 per Restricted Voting Share for a total consideration of $1,750,014,000 payable in cash to the Company against delivery of such Restricted Voting Shares.

The offering price of the Restricted Voting Shares offered under the Offering was determined by negotiation between Kinder Morgan and the Company, on the one hand, and TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, on the other hand. The Company has agreed to pay a fee to the Underwriters in the amount of $0.765 per Restricted Voting Share sold pursuant to the Offering, being an aggregate fee of $78,750,630. The Underwriter's fee is payable on closing of the Offering.

The Underwriters propose to offer the Restricted Voting Shares initially at the offering price specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Restricted Voting Shares at the price specified on the cover page, the offering price to the public may be decreased and further changed from time to time to an amount not greater than that set out on the cover page. Any such reduction in price will not affect the proceeds received by the Company or the aggregate fee received by the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and 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. If an Underwriter fails to purchase the Restricted Voting Shares which it has agreed to purchase, the remaining Underwriter(s) may terminate their obligation to purchase their allotment of Restricted Voting Shares, or may, but are not obligated to, purchase the Restricted Voting Shares not purchased by the Underwriter or Underwriters which fail to purchase; provided, however, that if the aggregate number of Restricted Voting Shares not so purchased is not more than 10% of the aggregate number of Restricted Voting Shares agreed to be purchased by the Underwriters, then each of the other Underwriters shall be obliged to purchase severally the Restricted Voting Shares not taken up, on a *pro rata* basis or in such other proportions as they be otherwise agree among themselves. The Underwriters are, however, obligated to take up and pay for all of the Restricted Voting Shares if any of the Restricted Voting Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Company will, in certain circumstances indemnify the Underwriters, their respective affiliates and each of their respective directors, officers, employees, partners and agents against certain liabilities, claims, actions, complaints, losses, costs, fines, penalties, taxes, interest, damages and expenses.

The Offering is being made in each of the provinces and territories of Canada. The Restricted Voting Shares offered under this prospectus will be offered in each of the provinces and territories of Canada through those Underwriters or their affiliates who are registered to offer such Restricted Voting Shares for sale in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law and the provisions of the Underwriting Agreement, the Underwriters may offer such Restricted Voting Shares outside of Canada.

The Restricted Voting Shares offered under this prospectus have not been, and will not be, registered under the U.S. Securities Act, or any state securities laws, and may not be offered or sold within the United States absent registration or pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement and except for offers and sales made pursuant to an available exemption from the registration requirements of the U.S. Securities Act, the Restricted Voting Shares to be sold pursuant to the Offering may not be offered or sold within the United States. Each Underwriter has agreed that it will not offer or sell Restricted Voting Shares within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement provides that the Underwriters may re-offer and re-sell the Restricted Voting Shares that they have acquired pursuant to the Underwriting Agreement in the United States to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement also provides that the Underwriters will offer and sell the Restricted Voting Shares outside the United States in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the closing of the Offering, an offer or sale of the Restricted Voting Shares 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, unless such offer is made pursuant to an exemption from registration under the U.S. Securities Act.

Prior to the Offering, there has been no public market for the Restricted Voting Shares. The sale of a substantial amount of the Restricted Voting Shares in the public market after the Offering, or the perception that such sales may occur, could adversely affect the prevailing market price of the Restricted Voting Shares. See "*Risk Factors — Risks Relating to the Offering and the Restricted Voting Shares — Absence of Public Market for the Restricted Voting Shares*". Furthermore, because each of the Company and Kinder Morgan has agreed that it will not offer or sell (or direct the sale of) any equity securities of the Company (or other securities convertible into, or exchangeable or exercisable for, equity securities of the Company) for a period after closing of the Offering due to the restrictions on resale described under "— *Lock-Up*" below, the sale of a substantial amount of Restricted Voting Shares in the public market after these restrictions lapse could adversely affect the prevailing market price of the Restricted Voting Shares.

The TSX has conditionally approved the listing of the Restricted Voting Shares under the symbol "KML". Listing is subject to the Company fulfilling all of the requirements of the TSX on or before August 22, 2017.

Subscriptions for Restricted Voting Shares offered under this prospectus will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about May 30, 2017 or such other date as the Company, Kinder Morgan and the Underwriters may agree; however, notwithstanding the foregoing, under certain circumstances Kinder Morgan and the Company may, in their sole discretion, designate May 31, 2017 as the closing date of the Offering. The Restricted Voting Shares offered under this prospectus are to be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for the final prospectus. Restricted Voting Shares sold pursuant to the Offering will be registered in the name of CDS and electronically deposited with CDS on the date of closing of the Offering. Purchasers of Restricted Voting Shares will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Restricted Voting Shares is acquired.

Neither Deutsche Bank Securities Inc. nor Mizuho Securities USA LLC is registered as a dealer in any Canadian jurisdiction and, accordingly, will only sell Restricted Voting Shares into the United States or in other jurisdictions outside of Canada. Deutsche Bank Securities Inc. and Mizuho Securities USA LLC are not permitted and have agreed not to, directly or indirectly, solicit offers to purchase or sell any of the Restricted Voting Shares in Canada. See "*Exemptions from Certain Disclosure Requirements*".

TD Securities Inc. and RBC Dominion Securities Inc. are acting as the active bookrunners in the Offering and CIBC World Markets Inc. and Scotia Capital Inc. are acting as passive bookrunners in the Offering.

Over-Allotment Option

The Company has granted to the Underwriters the Over-Allotment Option, exercisable at the Underwriters' sole discretion at any time, in whole or in part, from time to time, until 30 days after closing of the Offering, to purchase, at the offering price, up to an additional 15,441,300 Restricted Voting Shares (representing 15% of the Restricted Voting Shares offered under this prospectus) to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering will be $1,915,252,875.50 after deducting the fees payable to the Underwriters of $90,563,224.50 and the expenses of the Offering estimated to be approximately $6,700,000. This prospectus also qualifies the distribution of the Restricted Voting Shares issuable pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Restricted Voting Shares forming part of the Underwriters' over-allocation position acquires those Restricted Voting Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or otherwise affect the market price of the Restricted Voting Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Restricted Voting Shares while the Offering is in progress. These transactions may also include making short sales of the Restricted Voting Shares, which involve the sale by the Underwriters of a greater number of Restricted Voting Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Restricted Voting Shares in the open market or as otherwise permitted by applicable law. In making this determination, the Underwriters will consider, among other things, the price of Restricted Voting Shares available for purchase in the open market compared with the price at which they may purchase Restricted Voting Shares through the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing Restricted Voting Shares in the open market or as otherwise permitted by applicable law. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Restricted Voting Shares in the open market that could adversely affect investors who purchase in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Restricted Voting Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Restricted Voting Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, 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.

As a result of these activities, the price of the Restricted Voting Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Restricted Voting Shares are listed, in the over-the-counter market, or as otherwise permitted by applicable law.

Lock-Up

The Company has agreed that, subject to certain exceptions, it will not, and the Company shall use its reasonable commercial efforts to have each of its directors and executive officers who hold Restricted Voting Shares immediately following closing of the Offering to agree to not, directly or indirectly, without the prior written consent of TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld, issue, in the case of the Company, and sell (or direct the sale of), in the case of the directors and executive officers of the Company, or offer, grant any option, warrant or other right to purchase or agree to issue or sell, or otherwise lend, transfer, assign, pledge or dispose of, in a public offering or by way of private placement or otherwise, any Restricted Voting Shares or other equity securities of the Company or other securities convertible into, exchangeable for, or exercisable into Restricted Voting Shares or other equity securities of the Company, or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, for a period of 180 days from the date of closing of the Offering.

In addition, Kinder Morgan has agreed that it will not directly or indirectly, without the prior written consent of TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld, sell (or direct the sale of), or offer, grant any option, warrant or other right to purchase of any of its Class B Units for a period of 180 days from the date of closing of the Offering.

RELATIONSHIPS BETWEEN THE COMPANY AND CERTAIN UNDERWRITERS

It is expected that the Lenders will make the Credit Facility available to the Business following closing of the Offering. See "*Description of Indebtedness — Credit Facility*". In addition, each of the Underwriters (other than BMO Nesbitt Burns Inc. and National Bank Financial Inc.) is, directly or indirectly, an affiliate of a bank which is a lender to Kinder Morgan under its revolving credit agreement dated September 19, 2014, as amended (the "**KMI Revolving Facility**") and its term loan facility dated January 26, 2016 (the "**KMI Term Loan Facility**"). Consequently, under applicable Canadian Securities Laws, the Company may be considered a "connected issuer" to such Underwriters.

As at March 31, 2017, Kinder Morgan had approximately U.S.$119 million outstanding under the KMI Revolving Facility. Kinder Morgan is in compliance with all terms of the agreements governing each of the KMI Revolving Facility and the KMI Term Loan Facility and none of the lenders under these facilities have waived any breach by Kinder Morgan of such facilities since their execution. Both facilities are unsecured and the financial position of Kinder Morgan has not changed substantially since the indebtedness under the KMI Revolving Facility was incurred, other than in the ordinary course of business.

The decision to sell the Restricted Voting Shares pursuant to the Offering was made by Kinder Morgan and the Company and the terms of the Offering, including the offering price of such Restricted Voting Shares, was determined by negotiation between Kinder Morgan and the Company, on the one hand, and TD Securities Inc. and RBC Dominion Securities Inc. on behalf of the Underwriters, on the other hand. The Lenders did not have any involvement in such decision or determination; however, the Lenders have been advised of the Offering and the terms thereof. As a consequence of the Offering, each of the Underwriters will receive their respective share of the Underwriters' fee payable by the Company to the Underwriters.

KINDER MORGAN

With a total enterprise value of approximately U.S.$90 billion, Kinder Morgan is one of the largest energy infrastructure companies in North America. It owns an interest in or operates approximately 84,000 miles of pipelines and approximately 155 terminals (excluding assets to be divested). Kinder Morgan's pipelines transport natural gas, gasoline, crude oil, carbon dioxide and other products and its terminals store petroleum products and chemicals and handle bulk materials like coal and petroleum coke.

Kinder Morgan's customers include major oil companies, energy producers and shippers, local distribution companies and businesses across many industries. It is a market leader in each of its businesses and has a large footprint of diversified and strategically located assets that are core to North American energy infrastructure and help deliver needed energy products to high-demand markets.

Following the closing of the Offering, Kinder Morgan will indirectly own all of the issued and outstanding Special Voting Shares and as a result will own approximately 70% of the voting interests of the Company (approximately 66% if the Over-Allotment Option is exercised in full) and the public shareholders will own approximately 30% of the voting interests of the Company (approximately 34% if the Over-Allotment Option is exercised in full). Upon incorporation of the Company, KMCC was issued ten Restricted Voting Shares, which will be cancelled concurrent with the closing of the Offering. Kinder Morgan will not, directly or indirectly, beneficially own or exercise control or direction over any Restricted Voting Shares following closing of the Offering.

The table below sets forth the number and percentage of outstanding Company Voting Shares owned by Kinder Morgan, indirectly through KMCC and KM Canada Terminals, as of the date of this prospectus, the type of ownership of those shares, the number and percentage of Company Voting Shares anticipated to be owned indirectly by Kinder Morgan after giving effect to the Reorganization and the Offering (both with and without giving effect to the exercise of the Over-Allotment Option).

Shareholder Name	Type of Ownership	Number and percentage of Company Voting Shares owned, controlled or directed prior to giving effect to the Reorganization and the Offering	Number and percentage of Company Voting Shares owned, controlled or directed after giving effect to the Reorganization and the Offering[(2)]	Number and percentage of Company Voting Shares owned, controlled or directed after giving effect to the Reorganization and the Offering[(2)] and exercise in full of the Over-Allotment Option
Kinder Morgan Canada Company	Record	10 (100)%[(1)]	241,186,591 (69.91)%	225,800,880 (65.45)%
KM Canada Terminals ULC	Record	—	871,409 (0.25)%	815,820 (0.24)%

Notes:

(1) KMCC was issued ten Restricted Voting Shares at an aggregate subscription price of $100.00 in connection with the incorporation of the Company. These Restricted Voting Shares will be cancelled concurrent with closing of the Offering. See "*Notice to Investors — About this Prospectus*" and "*Prior Sales*".

(2) Neither KMCC nor KM Canada Terminals will hold any Restricted Voting Shares after giving effect to the Reorganization and the Offering and KMCC and KM Canada Terminals will hold 241,186,591 Special Voting Shares and 871,409 Special Voting Shares, respectively, after giving effect to the Reorganization and the Offering. If the Over-Allotment Option is exercised in full, neither KMCC nor KM Canada Terminals will hold any Restricted Voting Shares after giving effect to the Reorganization and the Offering and KMCC and KM Canada Terminals will hold 225,800,880 Special Voting Shares and 815,820 Special Voting Shares, respectively, after giving effect to the Reorganization and the Offering. None of the Special Voting Shares are held, or are to be held following closing of the Offering, subject to any voting trust or other similar agreement.

To the knowledge of the Company, other than as set forth above: (i) as of the date of this prospectus, there is no other person or company who beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Company Voting Shares; and (ii) following completion of the Reorganization and closing the Offering, there will not be any other person or company who beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Company Voting Shares then outstanding.

PRIOR SALES

On April 11, 2017, in connection with the incorporation of the Company, the Company issued ten Restricted Voting Shares to KMCC for an aggregate subscription price of $100.00, which Restricted Voting Shares will be cancelled concurrent with closing of the Offering.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON RESALE

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, it shall use its reasonable commercial efforts to have each of its directors and officers who hold Restricted Voting Shares immediately following closing of the Offering to agree to not, directly or indirectly, without the prior written consent of TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld, sell or offer, grant any option, warrant or other right to purchase or agree to issue or sell, or otherwise lend, transfer, assign, pledge or dispose of, in a public offering or by way of private placement or otherwise, any equity securities of the Company or other securities convertible into, exchangeable for, or exercisable into Restricted Voting Shares or other equity securities of the Company, or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, for a period of 180 days from the date of closing of the Offering. Kinder Morgan has also agreed that it will not directly or indirectly, without the prior written consent of TD Securities Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld, sell (or direct the sale of), or offer, grant any option, warrant or other right to purchase of any of its Class B Units for a period of 180 days from the date of closing of the Offering. See "*Plan of Distribution — Lock-Up*".

PROMOTER

Kinder Morgan may be considered a promoter of the Company within the meaning of Canadian Securities Laws. To the knowledge of the Company, as of the date of this prospectus, Kinder Morgan, indirectly through KMCC and KM Canada Terminals, beneficially owns ten Restricted Voting Shares, representing 100% of the currently issued and outstanding Company Voting Shares. Immediately following closing of the Offering and completion of the Reorganization, Kinder Morgan, indirectly through KMCC and KM Canada Terminals, will hold 242,058,000 Special Voting Shares, representing approximately 70% of the issued and outstanding Company Voting Shares (approximately 66% if the Over-Allotment Option is exercised in full). See "*Kinder Morgan*" and "*Description of Share Capital and Partnership Units*".

Kinder Morgan, directly and indirectly through KMCC and KM Canada Terminals, and the Company intend to enter into certain contracts in connection with and upon closing of the Offering and completion of the Reorganization, as applicable. See "*Relationship with Kinder Morgan*".

Prior to the closing of the Offering, the Limited Partnership will enter into the Contribution Agreements and the Limited Partnership will acquire the Business from KMCC and KM Canada Terminals in exchange for Class B Units (together with the associated Special Voting Shares) and the Acquisition Notes. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan*". For additional information regarding the Business, see "*The Business*".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below or elsewhere in this prospectus, there is no material interest, direct or indirect, of: (i) any director or executive officer of the Company; (ii) any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Company Voting Shares; or (iii) any affiliate of the persons or companies referred to above in (i) or (ii), in any transaction within the three years before the date of this prospectus that has materially affected or is reasonably expected to materially affect the Company.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof and subject to the provisions of any particular plan, the Restricted Voting Shares offered hereby if issued on the date hereof, would be, as of the date hereof, qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a RESP, a RDSP, a deferred profit sharing plan, or a TFSA.

Notwithstanding that the Restricted Voting Shares may be qualified investments for a trust governed by an RRSP, RRIF or a TFSA, the annuitant under an RRSP or RRIF or the holder of a TFSA may be subject to a penalty tax if such Restricted Voting Shares are "prohibited investments" for the RRSP, RRIF or TFSA within the meaning of the Tax Act. The Restricted Voting Shares will generally not be a "prohibited investment" provided that the annuitant under the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Company. The federal budget released on March 22, 2017 included proposals to amend the Tax Act to extend the application of the "prohibited investment" rules to investments held by RDSPs and RESPs, applicable to investments acquired, and transactions occurring, after March 22, 2017. Assuming these proposals are enacted as proposed, notwithstanding that the Restricted Voting Shares may be qualified investments for a trust governed by an RDSP or an RESP, the holder of an RDSP or the subscriber of an RESP will be subject to a penalty tax if the Restricted Voting Shares are a prohibited investment for the RDSP or RESP. There can be no assurances that these proposals will be enacted or that they will be enacted as proposed.

Prospective investors who intend to hold Restricted Voting Shares in their RDSP, RESP, RRIF, RRSP or TFSA are urged to consult their own tax advisors regarding their particular circumstances.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is, as of the date of this prospectus, a fair summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a purchaser who acquires as beneficial owner Restricted Voting Shares pursuant to the Offering and who, for purposes of the Tax Act, deals at arm's length with the Company and the Underwriters and is not affiliated with the Company or the Underwriters, and acquires and holds the Restricted Voting Shares as capital property (a "**Holder**"). Generally, the Restricted Voting Shares will be considered to be capital property to a Holder provided that the Holder does not use or hold the Restricted Voting Shares in the course of carrying on a business and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act; (iv) that reports its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency; or (v) that has entered or will enter into, with respect to the Restricted Voting Shares, a "derivative forward agreement", as defined in the Tax Act. Such Holders should consult their own tax advisors with respect to an investment in Restricted Voting Shares.

This summary is based on the facts set out in this prospectus, the provisions of the Tax Act in force as of the date hereof, and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing by the CRA and publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by way of judicial, legislative or governmental decision or action. This summary is not exhaustive of all possible Canadian federal income tax considerations, and does not take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ materially from those described in this summary.

This summary is of a general nature only and is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder, and no representations concerning the tax consequences to any particular Holder are made. The tax consequences of acquiring, holding and disposing of Restricted Voting Shares will vary according to the Holder's particular circumstances. **Holders should consult their own tax advisors regarding the tax considerations applicable to them having regard to their particular circumstances.**

Holders Resident in Canada

The following portion of this summary is applicable to a Holder who, for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times, is or is deemed to be resident in Canada (a "**Resident Holder**"). A Resident Holder to whom the Restricted Voting Shares might not constitute capital property may make, in certain circumstances, the irrevocable election permitted by subsection 39(4) of the Tax Act to have the Restricted Voting Shares, and all other Canadian securities held by such person, treated as capital property. Resident Holders considering making such election should first consult their own tax advisors.

Taxation of Dividends

Dividends received or deemed to be received on a Restricted Voting Share by a Resident Holder will be included in computing the Resident Holder's income for purposes of the Tax Act. Dividends received by a Resident Holder who is an individual will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. To the extent that the Company designates the dividends as "eligible dividends" within the meaning of the Tax Act in the prescribed manner, such dividends will be eligible for the enhanced gross-up and dividend tax credit. As of the date hereof, the Company anticipates that the dividends expected to be paid on the Restricted Voting Shares will be designated as "eligible dividends" and, unless otherwise notified, the Company will include disclosure on its website to this effect. Dividends received by individuals (other than certain trusts) may give rise to alternative minimum tax under the Tax Act, depending on the individual's circumstances.

Dividends received or deemed to be received by a Resident Holder that is a corporation will be included in computing the corporation's income and will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as a gain from the disposition of capital property or proceeds of disposition. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances. A Resident Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Restricted Voting Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income. A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), including any dividends or deemed dividends that are not deductible in computing the Resident Holder's taxable income.

Disposition of Restricted Voting Shares

Upon a disposition or a deemed disposition of a Restricted Voting Share (other than in a disposition to the Company that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in an open market), a Resident Holder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Restricted Voting Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Restricted Voting Share to the Resident Holder. The cost to the Resident Holder of a Restricted Voting Share acquired pursuant to the Offering will, at any particular time, be determined by averaging the cost of such share with the adjusted cost base of all Restricted Voting Shares of the Company owned by the Resident Holder as capital property at that time, if any.

One half of any such capital gain (a "**taxable capital gain**") realized by a Resident Holder will be required to be included in computing the Resident Holder's income, and one half of any such capital loss (an "**allowable capital loss**") realized by a Resident Holder must generally be deducted against taxable capital gains realized by the Resident Holder in the year of disposition. Allowable capital losses not deductible in the taxation year in which they are realized may ordinarily be deducted by the Resident Holder against taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, subject to the detailed rules contained in the Tax Act in this regard. Capital gains realized by an individual (other than certain trusts) may be subject to alternative minimum tax.

If the Resident Holder is a corporation, the amount of any capital loss realized on the disposition or deemed disposition of a Restricted Voting Share by the Resident Holder may be reduced by the amount of any dividends received or deemed to have been received by the Resident Holder on such Restricted Voting Share to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or beneficiary of a trust that owns Restricted Voting Shares, or where a partnership or trust is itself a member of a partnership or a beneficiary of a trust that owns Restricted Voting Shares.

If the Resident Holder is a "Canadian-controlled private corporation" (as defined in the Tax Act), the Resident Holder may also be liable to pay a refundable tax on its "aggregate investment income", which is defined to include an amount in respect of taxable capital gains.

Holders Not Resident in Canada

The following portion of this summary is applicable to a Holder who, for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times, is not resident or deemed to be resident in Canada and who does not use or hold (and is not deemed to use or hold) the Restricted Voting Shares in connection with a business carried on in Canada (a "**Non-Resident Holder**"). This part of the summary is not applicable to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada.

This part of the summary is not applicable to a Non-Resident Holder whose Restricted Voting Shares are or are deemed to be "taxable Canadian property" for purposes of the Tax Act. Provided that the Restricted Voting Shares are listed on a designated stock exchange (which includes the TSX) at a particular time, the Restricted Voting Shares generally will not constitute taxable Canadian property to a Non-Resident Holder at that time unless, at any time during the five year period immediately preceding that time: (i) 25% or more of the issued shares of any class or series of the Company's capital stock were owned by any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the value of the Restricted Voting Shares was derived, directly or indirectly, from one or any combination of (a) real or immoveable property situated in Canada, (b) Canadian resource properties, (c) timber resource properties, and (d) options in respect of, or an interest in, any such property (whether or not the property exists), all for purposes of the Tax Act. A Non-Resident Holder's Restricted Voting Shares can also be deemed to be taxable Canadian property in certain circumstances set out in the Tax Act.

Taxation of Dividends

Dividends paid or credited or deemed to be paid or credited by the Company to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25%, subject to any applicable reduction in the rate of such withholding under an income tax treaty between Canada and the country where the Non-Resident Holder is resident. For example, under the Canada-United States Income Tax Convention (1980) (the "**Treaty**"), the withholding tax rate in respect of a dividend paid to a person who is the beneficial owner of the dividend and is resident in the U.S. for purposes of, and entitled to full benefits under, the Treaty, is generally reduced to 15%. Non-Resident Holders are urged to consult their own tax advisors to determine their entitlement to relief under an applicable income tax treaty or convention.

Disposition of Restricted Voting Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Restricted Voting Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than the judicial review proceedings before the Federal Court of Appeal and the Supreme Court of British Columbia in respect of the Trans Mountain Expansion Project, discussed above under "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Major Projects, Including the Trans Mountain Expansion Project, May be Inhibited, Delayed or Stopped*" and "*Risk Factors — Risks Relating to the Development of the Trans Mountain Expansion Project and the Business and Operations of the Business — Aboriginal Relationships*", there are no legal proceedings that the Company or the Business is or was a party to, or that any of the Company's or the Business' property is or was the subject of, since January 1, 2016, that were or are material to the Company, and there are no such material legal proceedings that the Company knows to be contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" by the Company if it involves a claim for damages and the amount involved, exclusive of interest and costs, does not exceed 10% of the value of the Business' current assets, provided that if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the Company has included the amount involved in the other proceedings in computing the percentage. See "*Risk Factors*".

There were no: (i) penalties or sanctions imposed against the Company or the Business by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this prospectus; (ii) other penalties and sanctions imposed by court or regulatory body against the Company or the Business that the Company believes must be disclosed for this prospectus to contain full, true and plain disclosure of all material facts relating to the Restricted Voting Shares; or (iii) settlement agreements the Company or the Business entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this prospectus.

EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS

Kinder Morgan, for and on behalf of the Company, applied to the Alberta Securities Commission, as principal regulator on behalf of each of the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada (other than Ontario), and to the Ontario Securities Commission, for exemptive relief from the requirements of section 3.2 of NI 52-107 which require an issuer to (i) prepare its financial statements in accordance with accounting principles generally accepted in Canada, and (ii) disclose an unreserved statement of compliance with IFRS in the case of annual financial statements, disclose an unreserved statement of compliance with IAS 34 in the case of an interim financial report and disclose other statements concerning compliance with IFRS.

The exemptive relief in respect of section 3.2 of NI 52-107 has been granted and permits the Company to prepare and present the financial statements included in this prospectus in accordance with GAAP. In addition, the Company has also been granted exemptive relief which allows it and the Business to prepare and present financial statements, to the extent included or incorporated by reference in any future prospectus (including any short form prospectus and for the purposes of determining eligibility to file a short form prospectus pursuant to section 2.7 of NI 44-101), in accordance with GAAP and prepare all other financial statements (including, with respect to any business acquisition report) required to be prepared and filed by the Company with the securities regulators in each of the provinces and territories of Canada following the Offering pursuant to applicable securities laws in accordance with GAAP until the earliest of: (i) January 1, 2019; (ii) if the Company ceases rate-regulated activities, the first day of the Company's financial year that commences after the Company ceases to have rate-regulated activities; and (iii) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within IFRS specific to entities with rate-regulated activities.

In addition to the foregoing, the issuance of the final receipt for this prospectus will evidence that exemptive relief has been granted by the Alberta Securities Commission, as principal regulator on behalf of each of the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada (other than Ontario), and by the Ontario Securities Commission from paragraph 9.1(1)(b)(ii)(D) of NI 41-101, to the extent that it requires the submission of a completed personal information form for each director and executive officer of a promoter, if the promoter is not an individual. Instead, as Kinder Morgan is a sophisticated and established entity subject to the regulation of the NYSE, personal information forms have only been submitted for certain directors and officers of Kinder Morgan in its capacity as promoter.

Furthermore, as the sale of the Restricted Voting Shares to purchasers outside of Canada would be considered to be a "distribution" under applicable Alberta securities laws, the issuance of the final receipt for this prospectus will evidence that exemptive relief has been granted by the Alberta Securities Commission, as principal regulator on behalf of each of the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada (other than Ontario) where such relief is required, from the requirements set forth in section 5.9 of NI 41-101 for this prospectus to contain an underwriter certificate signed by each Underwriter. The relief granted relates only to Deutsche Bank Securities Inc. and Mizuho Securities USA LLC (each, a "**Specified U.S. Dealer**") that is in a contractual relationship with the Corporation and engaged only in the placement of securities to purchasers resident outside of Canada and does not apply to any distribution of securities involving purchasers resident in Canada. The conditions to the relief are that (i) the distribution under such prospectus by the Specified U.S. Dealer is not made to a purchaser resident in Canada, (ii) each purchaser with whom the Specified U.S. Dealer deals certifies in an agreement with the Corporation that the purchaser is not resident in Canada or, alternatively, if there is no agreement directly between the purchaser and the Corporation, the Specified U.S. Dealer certifies in an agreement with the Corporation that such purchasers are not resident in Canada, (iii) neither the Corporation nor the Specified U.S. Dealer believes, or has reasonable grounds to believe, that such certification is false, (iv) no advertisement or solicitation in furtherance of the distribution is undertaken in Canada by the Specified U.S. Dealer, and (v) the Restricted Voting Shares distributed under this prospectus by the Specified U.S. Dealer are lawfully distributed in the jurisdiction(s) of residence of the purchasers, including under proper exemptions from registration requirements in the United States if such securities are distributed in the United States or to U.S. persons. The aforementioned relief respecting the Specified U.S. Dealers was not requested from, or granted by, the Ontario Securities Commission.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are PricewaterhouseCoopers LLP in Canada, 111 – 5th Avenue S.W., Suite 3100, Calgary, Alberta T2P 5L3. PricewaterhouseCoopers LLP has advised they are independent within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Alberta.

The transfer agent and registrar for the Restricted Voting Shares is Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario where transfers of securities may be recorded.

EXPERTS

Certain legal matters relating to the Offering under Canadian law will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Company and Kinder Morgan and by Osler, Hoskin & Harcourt LLP on behalf of the Underwriters. Certain legal matters relating to the Offering under U.S. law will be passed upon by Weil, Gotshal & Manges LLP on behalf of the Company, by Bracewell LLP on behalf of Kinder Morgan and by Paul, Weiss, Rifkind, Wharton & Garrison LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of each of Blake, Cassels & Graydon LLP and Osler, Hoskin & Harcourt LLP, as respective groups, do not beneficially own, directly or indirectly, any of the outstanding Restricted Voting Shares, and such groups respectively each own less than 1% of the outstanding securities of any associate or affiliate of the Company.

No person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named in this prospectus as having prepared or certified a part of this prospectus, or a report, valuation, statement or opinion described in this prospectus, has received or shall receive a direct or indirect interest in any securities or other property of the Company or any associate or affiliate of the Company.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company entered into since its incorporation or to which the Company will become a party to prior to or following closing of the Offering:

1. the Underwriting Agreement. See "*Plan of Distribution*";
2. the Limited Partnership Agreement. See "*Description of Share Capital and Partnership Units — The Limited Partnership*";
3. the Cooperation Agreement. See "*Relationship with Kinder Morgan — Agreements Between the Company and Kinder Morgan — Cooperation Agreement*";
4. the Services Agreement. See "*The Company and the Limited Partnership — Services Agreement*" and
5. the credit agreements related to the Credit Facility. See "*Description of Indebtedness — Credit Facility*".

Copies of these documents are or will be once executed, as applicable, available for inspection during normal business hours at the Company's office, Suite 2700, 300 – 5th Avenue S.W., Calgary, Alberta T2G 4Y5, and at the offices of Blake, Cassels & Graydon LLP, 3500 Bankers Hall East, 855 – 2nd Street S.W. in Calgary, Alberta T2P 4J8 during the period of distribution, or at any time after closing of the Offering on SEDAR at www.sedar.com under the Company's profile.

RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories 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 and territories, the securities legislation further provides a purchaser with remedies for rescission, or, in some jurisdictions, revisions of the price or damages, if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of Kinder Morgan Canada Limited

We have audited the accompanying financial statement of Kinder Morgan Canada Limited, which comprises the balance sheet as at April 17, 2017 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined consolidated financial statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of Kinder Morgan Canada Limited as at April 17, 2017 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
May 23, 2017

KINDER MORGAN CANADA LIMITED

BALANCE SHEET

As at April 17, 2017
(In Canadian dollars)

	April 17, 2017
Assets	
Cash and cash equivalents	$100
Total assets	$100
Shareholder's equity	
Share capital (Note 3)	$100
Total shareholder's equity	$100

Subsequent Events (Note 4)

The accompanying notes are an integral part of this Balance Sheet.

KINDER MORGAN CANADA LIMITED
NOTES TO BALANCE SHEET
(Amounts in Canadian dollars, except as otherwise noted)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Kinder Morgan Canada Limited (the "Company") was incorporated under the Business Corporations Act (Alberta) and has been formed to own and operate energy infrastructure assets including pipelines that transport crude oil condensate and refined products and terminals that provide merchant liquids storage and handling, along with crude oil rail loading facilities, located in Western Canada.

These financial statements were authorized for issue by the Board of Directors and updated for subsequent events through May 23, 2017.

Basis of Presentation

The Business has prepared its accompanying financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification, the single source of United States Generally Accepted Accounting Principles ("U.S. GAAP") and referred to in this report as the Codification. U.S. GAAP means generally accepted accounting principles that the U.S. Securities and Exchange Commission has identified as having substantial authoritative support, as supplemented by Regulation S-X under the U.S. Securities Exchange Act of 1934, as amended from time to time. Amounts are stated in Canadian dollars, which is the functional currency of most of the Business' operations, unless otherwise noted.

2. ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with original maturities of three months or less.

Transfer of Net Assets Between Entities Under Common Control

We account for the transfer of net assets between entities under common control by carrying forward the net assets recognized in the balance sheets of each combining entity to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination.

3. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of Restricted Voting Shares, an unlimited number of Special Voting Shares and an unlimited number of Preferred Shares, issuable in series. Each of the Restricted Voting Shares and Special Voting Shares entitle the holders thereof to one vote per share at meetings of shareholders. The Preferred Shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine.

The Company's issued and outstanding share capital consists of 10 Restricted Voting Shares which were issued to Kinder Morgan Canada Company, an indirect subsidiary of Kinder Morgan, Inc. (referred herein as "Kinder Morgan" or "KMI") on incorporation, for cash proceeds of $100.

4. SUBSEQUENT EVENTS

On April 24, 2017, the Company filed a preliminary long form prospectus and on May 10, 2017 filed an amended and restated preliminary long form prospectus in respect of an underwritten initial public offering of the Company's Restricted Voting Shares (the "Offering").

It is contemplated that Special Voting Shares will be issued indirectly to Kinder Morgan for the purpose of providing voting rights with respect to the Company to the holders of Class B Units (indirectly, Kinder Morgan). The holders of Special Voting Shares, as such, will not generally be entitled to receive any dividends or other distributions. Subject to the rights of the holders of preferred shares of the Company and in priority to the holders of Restricted Voting Shares, each Special Voting Share entitles the holder to an amount of $0.000001 per Special Voting Share in the event of liquidation, dissolution or winding up of the Company.

Each Restricted Voting Share and each Special Voting Share entitles the holder thereof to one vote per share held at all meetings of shareholders of the Company, except meetings at which or in respect of matters on which only the holders of another class of shares are entitled to vote separately as a class pursuant to applicable laws. Unless otherwise required by law, the holders of Restricted Voting Shares and Special Voting Shares will vote together as a single class.

The Company has been formed to indirectly acquire a controlling interest in Kinder Morgan Canada Limited Partnership (the "Limited Partnership"). The Limited Partnership, prior to the closing of the Offering, will own the combined assets and operations of certain of Kinder Morgan's Canadian operating subsidiaries, three jointly controlled Canadian investments, and one U.S. entity consisting of the Trans Mountain pipeline system, along with its associated terminals and storage facilities, the Puget Sound and Jet Fuel pipeline

4. SUBSEQUENT EVENTS (Continued)

systems, the Canadian Cochin pipeline system, the Vancouver Wharves Terminal in British Columbia and various merchant liquids storage and handling terminals and interests in crude oil loading facilities in the Edmonton, Alberta area.

The Company intends to use the proceeds from the Offering, to indirectly purchase an interest in the Limited Partnership and such proceeds will be used to repay certain indebtedness to Kinder Morgan.

In connection with the Offering, the Company, the General Partner, the Limited Partnership and Kinder Morgan Canada Inc. ("KMCI") will enter into a services agreement (the "Services Agreement"). Under the Services Agreement, KMCI, which is an indirect subsidiary of the Company, will, under the supervision of the Company's executive officers and Board of Directors, provide certain operational and administrative services in connection with the management of the business and affairs of the Company, the General Partner, the Limited Partnership and each person that the Company, the General Partner or the Limited Partnership controls from time to time (collectively, the "Kinder Morgan Canada Group"), or where requested, coordinate on behalf of entities in the Kinder Morgan Canada Group to procure assistance and/or support in providing such services from its affiliates. The individuals providing services or assistance and/or support in connection therewith pursuant to the Services Agreement primarily will be employees of KMCI or, in some cases, its affiliates. Any support and/or assistance with any services provided by an affiliate of KMCI outside of the Kinder Morgan Canada Group will be reimbursed at cost, unless otherwise required under applicable laws.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED STATEMENTS OF INCOME

(In thousands of Canadian dollars)
(Unaudited)

Three Months Ended March 31,	2017	2016
Revenues		
Services	163,949	165,966
Product Sales and Other	545	610
Total Revenues	164,494	166,576
Operating Costs, Expenses and Other		
Operations and maintenance	48,982	46,437
Depreciation, depletion and amortization	34,839	34,126
General and administrative	18,008	15,799
Taxes, other than income taxes	9,813	10,015
Other expense, net	1,782	—
Total Operating Costs, Expenses and Other	113,424	106,377
Operating Income	51,070	60,199
Other Income (Expense)		
Interest, net	(6,649)	(8,549)
Unrealized foreign exchange gain	10,867	70,554
Other, net	5,755	3,902
Total Other Income (Expense)	9,973	65,907
Income Before Income Taxes	61,043	126,106
Income Tax Expense	(14,276)	(14,140)
Net Income	46,767	111,966

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian dollars)
(Unaudited)

Three Months Ended March 31,	2017	2016
Net income	46,767	111,966
Other comprehensive income (loss)		
Benefit plans	425	1,202
Foreign currency translation adjustments	(481)	(3,674)
Total other comprehensive loss	(56)	(2,472)
Comprehensive income	46,711	109,494

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)
(Unaudited)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	170,154	158,976
Accounts receivable	57,270	34,539
Accounts receivable-affiliates	39,758	39,092
Inventories	12,702	12,435
Other current assets	24,622	16,753
Total current assets	304,506	261,795
Property, plant and equipment, net	3,215,064	3,181,075
Goodwill	248,027	248,027
Deferred charges and other assets	57,491	48,491
Total Assets	3,825,088	3,739,388
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	123,028	109,212
Accounts payable-affiliates	143,553	144,300
Accrued interest-affiliates	73,165	61,819
Regulatory liabilities	124,898	122,859
Other current liabilities	38,601	24,236
Total current liabilities	503,245	462,426
Long-term liabilities and deferred credits		
Long-term debt-affiliates	1,352,337	1,362,126
Deferred income taxes	319,330	304,763
Retirement and postretirement benefits	73,948	74,894
Regulatory liabilities	33,280	37,614
Deferred revenues	51,549	51,648
Other deferred credits	8,732	9,961
Total long-term liabilities and deferred credits	1,839,176	1,841,006
Total Liabilities	2,342,421	2,303,432
Commitments and contingencies (Notes 3 and 6)		
Equity		
Share capital	1,475,010	1,475,010
Retained earnings	33,691	(13,076)
Accumulated other comprehensive loss	(26,034)	(25,978)
Total Equity	1,482,667	1,435,956
Total Liabilities and Equity	3,825,088	3,739,388

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)
(Unaudited)

Three Months Ended March 31,	2017	2016
Operating Activities		
Net income	46,767	111,966
Non-cash items:		
Depreciation, depletion and amortization	34,839	34,126
Deferred income tax	14,328	13,777
Allowance for equity funds used during construction	(5,532)	(3,936)
Unrealized foreign exchange gain	(10,867)	(70,554)
Other non-cash items	2,446	748
Change in operating assets and liabilities		
Accounts receivable-trade	(22,788)	2,789
Accounts receivables-affiliates	(717)	7,911
Prepaid expenses and deposits	(4,851)	(2,626)
Inventory	(271)	(544)
Other current assets	(3,799)	2,512
Deferred amounts and other assets	(6,679)	426
Accounts payable-trade	(5,602)	(11,280)
Accounts payable-affiliates	(987)	4,518
Accrued interest	11,676	11,309
Other current liabilities	15,453	22,823
Retirement and postretirement benefits obligation	(944)	(1,037)
Regulatory liabilities and deferred credits	(5,226)	(35,850)
Cash provided by operating activities	57,246	87,078
Investing Activities		
Capital expenditures	(42,124)	(65,411)
Contributions to trusts	(4,359)	(4,461)
Sale of property, plant and equipment, net of removal costs	(34)	(18)
Change in restricted cash	783	454
Cash used in investing activities	(45,734)	(69,436)
Financing Activities		
Proceeds from debt with affiliates	—	12,535
Contributions from Parent	—	2
Cash provided by financing activities	—	12,537
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(334)	(1,141)
Net increase in Cash and Cash Equivalents	11,178	29,038
Cash and Cash Equivalents, beginning of period	158,976	72,719
Cash and Cash Equivalents, end of period	170,154	101,757
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for income taxes	186	1,303
Noncash Investing and Financing Activities		
Increase in property, plant and equipment from both accruals and contractor retainage	22,073	7,304
Decrease in property, plant and equipment due to foreign currency translation adjustments	(1,401)	(8,749)

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands of Canadian dollars)
(Unaudited)

Three Months ended March 31,	2017	2016
Share capital		
Beginning balance	1,475,010	1,464,253
Contributions	—	—
Distributions	—	—
Ending balance	1,475,010	1,464,253
Retained earnings (deficit)		
Beginning balance	(13,076)	(193,767)
Net income	46,767	111,966
Ending balance	33,691	(81,801)
Accumulated other comprehensive income		
Beginning balance	(25,978)	(19,499)
Changes in other comprehensive income	(56)	(2,472)
Ending balance	(26,034)	(21,971)
Total Canadian Business equity	1,482,667	1,360,481

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.
NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Canadian Business of Kinder Morgan, Inc. represents the combined assets and operations of certain of Kinder Morgan, Inc's Canadian operating subsidiaries, three jointly controlled Canadian investments, and one U.S. entity integral to the operations of the Trans Mountain Pipeline system ("TMPL"). References to "the Business" describe these Canadian operating businesses. The Business is indirectly owned by Kinder Morgan, Inc. ("Kinder Morgan"), its Parent.

The Business is comprised of two business segments including (i) the Pipelines segment which includes the TMPL that currently transports approximately 300,000 barrels per day ("bpd") of crude oil and refined petroleum from the oil sands in Alberta to Vancouver, British Columbia; the Trans Mountain (Puget Sound) pipeline serving Washington State; the Trans Mountain Jet Fuel pipeline serving Vancouver International Airport; Kinder Morgan Canada Inc., the employer of Canadian staff; and the Canadian segment of the Cochin pipeline, a 12-inch diameter multi-product pipeline which spans approximately 1000 km between the Canadian provinces of Saskatchewan and Alberta; and (ii) the Terminals segment which includes terminal facilities located in Western Canada that provide merchant storage as well as rail terminals offering loading and delivery services for liquids products.

The Kinder Morgan wholly owned subsidiaries included in the accompanying combined consolidated financial statements include the following entities all of which have been under common management and control of Kinder Morgan, as applicable, for all periods presented:

- Trans Mountain Pipeline ULC,
- Trans Mountain Pipeline L.P.,
- Trans Mountain Pipeline (Puget Sound) LLC,
- Trans Mountain (Jet Fuel) Inc.,
- Kinder Morgan Cochin ULC,
- Kinder Morgan Canada Inc.,
- Kinder Morgan Canada Rail Holdings GP Limited (Alberta),
- Kinder Morgan Canada Marine Terminal Limited Partnership,
- Kinder Morgan Canada North 40 Limited Partnership,
- Base Line Terminal East Limited Partnership*,
- Kinder Morgan Canada Edmonton South Rail Terminal Limited Partnership*, and
- Kinder Morgan Canada Edmonton North Rail Terminal Limited Partnership*.

---

* Kinder Morgan consolidated subsidiaries which hold interests in assets that are jointly owned with unaffiliated entities.

Public Offering and Completion of the Reorganization

Kinder Morgan Canada Limited (the "Company") filed a preliminary prospectus dated April 24, 2017 and an amended and restated preliminary prospectus dated May 10, 2017 in respect of an underwritten initial public offering (the "Offering") of the Company's Restricted Voting Shares. Prior to closing of the Offering, the Business will be indirectly acquired by a Limited Partnership (the "Partnership") owned by Kinder Morgan.

The underwriters of the Offering will be granted an over-allotment option, exercisable, in whole or in part, at the sole discretion of the underwriters, for a period of 30 days from the closing of the Offering. The Company intends to use the proceeds from the Offering, to purchase shares in the Partnership, and Kinder Morgan intends to retain control of the Business. The Partnership will then repay its indebtedness to Kinder Morgan (either directly or indirectly through its other subsidiaries and affiliates).

2. BASIS OF PRESENTATION

The Business has prepared its accompanying financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification, the single source of United States Generally Accepted Accounting Principles ("U.S. GAAP") and referred to in this report as the Codification. U.S. GAAP means generally accepted accounting principles that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X under the 1934 Act, as amended from time to time.

In management's opinion, all adjustments, which are of a normal and recurring nature, considered necessary for a fair presentation of the Business' financial position and operating results for the interim periods have been included in the accompanying combined

2. BASIS OF PRESENTATION (Continued)

consolidated financial statements. Interim results are not necessarily indicative of results for a full year; accordingly, readers should review these combined consolidated financial statements in conjunction with the combined consolidated financial statements and related notes included in the accompanying prospectus.

In March 2017, the Alberta Securities Commission ("ASC") and Ontario Securities Commission ("OSC") issued a relief order which permits the Company to continue to prepare its financial statements in accordance with U.S. GAAP until the earliest of: (i) January 1, 2019; (ii) the first day of the financial year that commences after the Company ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within International Financial Reporting Standards specific to entities with activities subject to rate regulation.

These statements reflect the combined historical results of operations, financial position and cash flows and equity of the Business as if such operations had been combined for the periods presented. The combined statements were derived from the consolidated financial statements and accounting records of Kinder Morgan. The assets and liabilities in these unaudited combined consolidated financial statements have been reflected at historical carrying value of the immediate parent(s) within the Kinder Morgan organization structure including goodwill and purchase price assigned amounts, as applicable. All significant intercompany balances between the companies included in the accompanying combined consolidated financial statements have been eliminated. The combined consolidated financial statements include the accounts of wholly owned limited partnerships that, due to a lack of substantive kick-out rights and participating rights, are considered variable interest entities ("VIEs"). As these entities are 100% owned and directed by the Business, the Business is considered the primary beneficiary. There are no restrictions on a combined VIE's assets reported by the Business in its combined consolidated balance sheets.

Amounts are stated in Canadian dollars unless otherwise noted which is the functional currency of most of the Business' operations. Transactions in foreign currencies are initially recorded at the exchange rate in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars using the closing exchange rate at the balance sheet date. The resulting exchange rate differences are included in the combined consolidated statement of operations.

The Business translates the assets and liabilities of its indirectly owned subsidiary, Trans Mountain Pipeline (Puget Sound) LLC, which uses U.S. dollars as its functional currency, to Canadian dollars at year-end exchange rates. Income and expense items are translated at weighted-average rates of exchange prevailing during the year and its equity accounts are translated by using historical exchange rates. The cumulative translation adjustments balance is included in the "Accumulated other comprehensive loss" balance on the Business' combined consolidated balance sheets and would be recognized in earnings upon the sale of those U.S. operations.

Management has evaluated subsequent events through May 25, 2017, the date the financial statements were available to be issued.

3. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Affiliate and Related Party Balances

The following tables summarize affiliate and related party balance sheet balances and income statement activity:

(In thousands of Canadian dollars)	March 31, 2017	December 31, 2016
Balance sheet location		
Accounts receivable-affiliates	39,758	39,092
	39,758	39,092
Accounts payable-affiliates	143,553	144,300
Accrued interest-affiliates	73,165	61,819
Long-term debt-affiliates	1,352,337	1,362,126
	1,569,055	1,568,245

3. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (Continued)

Revenues, operating costs and capitalized costs are under normal trade terms. See *Long-term Debt-Affiliates* below for interest expense terms.

Three Months Ended March 31, (In thousands of Canadian dollars)	2017	2016
Income Statement location		
Revenues-Services[a]	14,785	14,750
Operations and maintenance and general and administrative expense	1,078	648
Interest expense	11,676	11,309
Other		
Capitalized costs in property, plant and equipment	1,955	1,915

(a) Amounts represent sales to a customer who is a related party through joint ownership of a joint venture.

Accounts receivable and payable

Accounts receivable-affiliate and accounts payable-affiliate are non-interest bearing and are settled on demand.

Long-term Debt-Affiliates

As of March 31, 2017 and December 31, 2016, the Long-term debt-affiliates on the combined consolidated balances sheets includes $1,352.3 million and $1,362.1 million, respectively, of U.S. dollar denominated five-year notes payable with Kinder Morgan subsidiaries. As of March 31, 2017, $1,116.4 million of the notes are due from January 31, 2019 to December 31, 2020 and have interest rates ranging from 3.50% to 4.82%. In addition, as of March 31, 2017, the Business has a $235.9 million non-interest bearing notes payable with a Kinder Morgan subsidiary that is due on December 30, 2018.

KMI and substantially all of its domestic subsidiaries, including Trans Mountain Pipeline (Puget Sound) LLC, are a party to a cross guarantee agreement whereby each party to the agreement unconditionally guarantees, jointly and severally, the payment of specified indebtedness of each other party to the agreement.

Fair Value of Financial Instruments

The carrying value and estimated fair value of debt-affiliates balances are disclosed below:

	March 31, 2017		December 31, 2016	
(In thousands of Canadian dollars)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Total debt	1,116,417	1,179,034	1,126,206	1,183,296

Total debt excludes $235.9 million of non-interest bearing notes payable from the carrying value and estimated fair value balances as of both March 31, 2017 and December 31, 2016. Level 2 input values were used to measure the estimated fair value of the long-term debt-affiliates balance as of both March 31, 2017 and December 31, 2016.

4. INCOME TAXES

Income tax expense included in our accompanying combined consolidated statements of operations is as follows:

Three Months Ended March 31, (In thousands of Canadian dollars, except percentages)	2017	2016
Income tax expense	14,276	14,140
Effective tax rate	23.39%	11.21%

The effective tax rates for the three months ended March 31, 2017 and 2016 are lower than the statutory federal rate of 27% primarily due to foreign exchange rate fluctuations in respect of the KMI Loans, which impact the valuation allowance on unrealized capital losses.

5. BENEFIT PLANS

Components of net benefit plan expense related to the Business' pension plans and other postretirement benefit ("OPEB") plans are as follows:

Three Months Ended March 31, (In thousands of Canadian dollars)	Pension		OPEB	
	2017	2016	2017	2016
Service cost	2,123	1,852	170	161
Interest cost	1,949	1,815	158	156
Expected return on assets	(1,931)	(1,707)	—	—
Amortization of prior service costs	38	38	28	20
Amortization of net actuarial (gains) losses	1,025	1,025	—	—
Total tax provision	3,204	3,023	356	337

6. CONTINGENCIES AND LITIGATION

Contingencies

The Business is subject to various legal and regulatory actions and proceedings which arise in the normal course of business. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on the Business' combined financial position or results of operations.

The Business and its subsidiaries are also subject to environmental cleanup and enforcement actions from time to time. Although the Business believes its operations are in substantial compliance with applicable environmental law and regulations, risks of additional costs and liabilities are inherent in pipeline and terminal operations, and there can be no assurance that it will not incur significant costs and liabilities. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from the Business' operations, could result in substantial costs and liabilities to the Business.

Although it is not possible to predict the ultimate outcomes, the Business believes that the resolution of the environmental matters to which it is a party, will not have a material adverse effect on its business, financial position, results of operations or cash flows.

Trans Mountain Expansion Project

TMPL is currently seeking final approval from the Board of Directors of Kinder Morgan for the Trans Mountain Expansion Project (the "Project"). The proposed estimated $7.4 billion expansion will increase throughput capacity of TMPL from approximately 300,000 to 890,000 barrels per day ("bpd"). The Project has transportation service agreements representing approximately 80% of the expanded system's capacity (the maximum amount under the regulated limit imposed by the NEB).

On May 19, 2016, the National Energy Board ("NEB") recommended that the Governor in Council approve the Project, subject to 157 conditions. On November 29, 2016, the Governor in Council approved the Project, and directed the NEB to issue, Amending Orders AO-003-OC-2 and AO-002-OC-49, and Certificate of Public Convenience and Necessity OC-064, authorizing the construction of the Project. On January 11, 2017, the Government of British Columbia announced the issuance of an environmental assessment certificate from B.C.'s Environmental Assessment Office to TMPL for the B.C. portion of the Project. The environmental assessment certificate includes 37 conditions that are in addition to and designed to supplement the 157 conditions required by the NEB. The Business has spent a cumulative total, net of contributions in aid of construction and shipper termination payments, of $508 million on development of the Project as at March 31, 2017 (December 31, 2016 — $480 million).

Trans Mountain Expansion Project Litigation

There are numerous lawsuits pending before the Federal Court of Appeal which have been filed by various governmental and non-governmental organizations, Aboriginal groups, or other parties who seek judicial review of the recommendation of the NEB and subsequent decision by the Federal Governor in Council to conditionally approve the Project. In one of the appeals, the Coldwater Indian Band seeks to appeal a decision by the Federal trial court denying a petition seeking judicial review of the decision by the Minister of Aboriginal Affairs to approve the assignment of a 1952 Trans Mountain Indenture to Kinder Morgan Canada, Inc. The petitions seeking judicial review of the recommendation of the NEB and subsequent decision by the Governor in Council allege, among other things, that additional consultation, engagement or accommodation is required and that various non-economic impacts of the Project were not adequately considered. The remedies sought include requests that the NEB recommendation be quashed, that additional consultations be undertaken, and that the order of the Governor in Council approving the Project be quashed. A decision by the Federal Court of Appeal is subject to potential further appeal to the Supreme Court of Canada. Although the Business believes that

6. CONTINGENCIES AND LITIGATION (Continued)

each of the foregoing appeals lacks merit, in the event an applicant is successful at the Supreme Court of Canada, among other things, the NEB recommendation or Governor in Council's approval may be quashed, permits may be revoked, the Project may be subject to additional significant regulatory reviews, there may be significant changes to the Project plans, further obligations or restrictions may be implemented, or the Project be stopped altogether, which could materially impact the overall feasibility or economic benefits of the Project, which in turn would have a material adverse effect on the Project and, consequently, the Business. In addition to the judicial reviews of the NEB recommendation report and Governor in Council's order, parties have also commenced judicial review proceedings at the Supreme Court of British Columbia seeking to quash the Environmental Assessment Certificate that was issued by the BC Environmental Assessment Office. In the event that an applicant for judicial review is successful, among other things, the Environmental Assessment Certificate may be quashed, provincial permits may be revoked, the Project may be subject to additional significant regulatory reviews, there may be significant changes to the Project plans, further obligations or restrictions may be imposed or the Project may be stopped altogether. In the event that an applicant is unsuccessful at the Supreme Court of British Columbia, they may further seek to appeal the decision to the British Columbia Court of Appeal. Any decision of the British Columbia Court of Appeal may be appealed to the Supreme Court of Canada. A successful appeal at either of these levels could result in the same types of consequences described above.

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

The Business is exposed to credit risk, which is the risk that a customer or other counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to our business is primarily concentrated in the crude oil and refined products transportation industry and is dependent upon the ability of its customers to pay for these services. A majority of the customers operate in the oil and gas exploration and development, or energy marketing or transportation industries. The Business may be exposed to long-term downturns in energy commodity prices, including the price for crude oil, or other credit events impacting these industries.

The Business limits its exposure to credit risk by requiring shippers who fail to maintain specified credit ratings or a suitable financial position to provide acceptable security, generally in the form of guarantees from credit worthy parties or letters of credit from well rated financial institutions.

Business' cash and cash equivalents are held with major financial institutions, minimizing the risk of non-performance by counter parties.

Foreign Currency Transactions and Translation

Foreign currency transaction gains or losses result from a change in exchange rates between the functional currency of an entity, and the currency in which a transaction is denominated. Unrealized gains and losses are recorded in Unrealized foreign exchange gains (losses) and Other, net and realized gains (losses) are recognized in Other, net in the accompanying combined consolidated statements of operations and include:

- As of March 31, 2017 and 2016, the Business had notes payable to Kinder Morgan subsidiaries of $1,352.3 million, and $1,362.1 million, respectively, presented as Long-term debt-affiliates in the accompanying combined balances sheets. These balances are U.S. dollar denominated loans from Kinder Morgan subsidiaries to the Business. Foreign exchange rate changes on the long-term debt with affiliates, and associated interest expense payable balances, resulted in unrealized foreign exchange gains $10.1 million and $64.5 million for the three months ended March 31, 2017 and 2016, respectively. Although the U.S. dollar denominated long-term loans from Kinder Morgan subsidiaries exposes the Business to significant foreign exchange risk, there has historically been no foreign currency exchange risk on the KMI Loans on a Kinder Morgan consolidated basis. As a result, the Business has not historically entered into any foreign currency derivatives and has not historically been engaged in hedging activities related to foreign currency exchange risk. Interest expense on the long-term debt with affiliates is translated at weighted-average rates of exchange prevailing during the year and equity accounts are translated using historical exchange rates; and
- Additionally, unrealized foreign exchange gains for the three months ended March 31, 2017 and 2016 also includes $0.8 million and $6.1 million, respectively, of foreign exchange gain recognized due to changes in exchange rates between the Canadian dollar and the U.S. dollar on U.S. dollar denominated balances. These currency exchange rate fluctuations affect the expected Canadian dollar cash flows on unsettled U.S. dollar denominated transactions, primarily related to cash bank accounts that are denominated in U.S. dollars and affiliate receivables or payables that are denominated in U.S. dollars. The Business translates the assets and liabilities of Trans Mountain Pipeline (Puget Sound) LLC) that has the U.S. dollars as its functional currency to Canadian dollars at period-end exchange rates.

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Business will not be able to meet its financial obligations, including commitments, as they become due. It manages its liquidity risk by ensuring access to sufficient funds to meet its obligations. The Business forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. Historically, the Business' primary sources of liquidity and capital resources are funds generated from operations and loans from affiliates, including long term debt with Kinder Morgan subsidiaries. The Trans Mountain Expansion Project will likely require additional third party financing to complete this estimated $7.4 billion Trans Mountain Expansion Project, see Note 6 — *Trans Mountain Expansion Project*.

Fair value measurements

The Business does not carry any financial assets or liabilities measured at fair value on a recurring basis, other than the Trans Mountain Pipeline Reclamation Trust and Cochin Pipeline Reclamation Trust ("Trusts") that were established in 2015 in the Province of Alberta to set aside funds collected through pipeline abandonment surcharges over a collection period established by the NEB. The use of amounts in the Trusts is restricted to pay future abandonment costs. It discloses the fair value of other financial instruments not measured at fair value. The fair value of financial instruments reflects its best estimate of market value based on generally accepted valuation techniques or models and are supported by observable market prices and rates. When such values are not available, it uses discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Business classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

- Level 1 — inputs to the valuation methodology are quoted prices unadjusted for identical assets or liabilities in active markets.
- Level 2 — inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (i.e. derived from prices).
- Level 3 — inputs to the valuation model are not based on observable market data.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment considering factors specific to an asset or liability and may affect placement within the fair value hierarchy. Level 1 and Level 2 are used for the fair value of cash and cash equivalents and restricted investments, respectively.

Due to the short-term or on demand nature of cash and cash equivalents, restricted cash, accounts receivable, accounts receivable from affiliates, accounts payable, accounts payable to affiliates and accrued interest, it has been determined that the carrying amounts for these balances approximate fair value.

8. REPORTABLE SEGMENTS

The reportable business segments of the Business are based on the way management organizes the enterprise. Each of the reportable business segments of the Business represents a component of the enterprise that engages in a separate business activity and for which discrete financial information is available.

The reportable business segments of the Business are:

- Pipelines — the ownership and operation of (i) the Trans Mountain pipeline that currently transports approximately 300,000 barrels per day ("bpd") of crude oil and refined petroleum from the oil sands in Alberta to Vancouver, British Columbia and associated terminal and dock operations; (ii) the Canadian portion of the Cochin pipeline system, a 12-inch diameter multi-product pipeline which spans between Kankakee, Illinois and Fort Saskatchewan, Alberta; (iii) the TM (Puget Sound) pipeline serving Washington State; (iv) the Jet Fuel pipeline serving Vancouver International Airport; and (v) Kinder Morgan Canada Inc.
- Terminals — the ownership and operation of terminal facilities located in western Canada that provide merchant storage as well as rail terminals offering loading and delivery services for liquids product as well as certain bulk commodity handling.

The Business evaluates performance principally based on each segment's earnings before depreciation and amortization (Segment EBDA), which excludes general and administrative expenses, interest, foreign currency loss on long-term debt-affiliates and related interest expense, net, and income tax expense. The Business' reportable segments are strategic business units that offer different products and services, and are structured based on how its chief operating decision makers organize their operations for optimal

8. REPORTABLE SEGMENTS (Continued)

performance and resource allocation. Each segment is managed separately because each segment involves different products and marketing strategies.

The Business considers each period's earnings before all non-cash DD&A expenses to be an important measure of business segment performance for its reporting segments. The Business accounts for intersegment sales at market prices, while it accounts for asset transfers at either market value or, in some instances, book value. Intercompany transactions are eliminated in combination.

Financial information by segment follows:

Three Months Ended March 31, (In thousands of Canadian dollars)	**2017**	**2016**
Revenues		
Pipelines	89,486	93,129
Terminals	75,008	73,447
Total combined revenues	164,494	166,576

Three Months Ended March 31, (In thousands of Canadian dollars)	**2017**	**2016**
Segment EBDA[(a)(b)]		
Pipelines	56,271	60,987
Terminals	54,149	59,134
Total segment EBDA	110,420	120,121
DD&A	(34,839)	(34,126)
Unrealized foreign exchange gain on long-term debt-affiliates	10,119	64,459
General and administrative expenses	(18,008)	(15,799)
Interest expense, net	(6,649)	(8,549)
Income tax expense	(14,276)	(14,140)
Total combined net income	46,767	111,966

(In thousands of Canadian dollars)	**March 31, 2017**	**December 31, 2016**
Assets		
Pipelines	2,488,081	2,375,144
Terminals	1,337,007	1,364,244
Total combined assets	3,825,088	3,739,388

(a) Includes revenues and other (income) expense less operating expenses and other, net. Operating expenses include operations and maintenance expenses, and taxes, other than income taxes.

(b) The three months ended March 31, 2017 and 2016 includes (i) $0.7 million and $6.1 million, respectively, of unrealized foreign exchange gains due to changes in exchange rates between the Canadian dollar and the U.S. dollar on U.S. dollar denominated balances and (ii) $5.5 million and $3.9 million, respectively, of capitalized equity financing costs.

INDEPENDENT AUDITOR'S REPORT

pwc

To the Directors of Kinder Morgan, Inc.

We have audited the accompanying combined consolidated financial statements of the Canadian Business of Kinder Morgan, Inc. ("Canadian Business"), which comprise the combined consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the combined consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined consolidated financial statements

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined consolidated financial statements present fairly, in all material respects, the financial position of Canadian Business as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

Without modifying our opinion, we draw attention the fact that, as described in Note 1 to the combined consolidated financial statements, the businesses included in the combined consolidated financial statements have not operated as a single entity. These combined consolidated financial statements are, therefore, not necessarily indicative of results that would have occurred if the businesses had operated as a single business during the years presented or of future results of the combined businesses.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
May 23, 2017

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of Canadian dollars)

Year Ended December 31,	2016	2015	2014
Revenues			
Services	674,739	644,232	500,991
Product Sales and Other	1,351	1,657	4,211
Total Revenues	676,090	645,889	505,202
Operating Costs, Expenses and Other			
Costs of sales	9	126	1,244
Operations and maintenance	205,358	182,686	158,935
Depreciation, depletion and amortization (Note 5)	137,168	123,529	88,698
General and administrative	57,689	61,354	59,170
Taxes, other than income taxes	38,207	37,295	35,250
Other expense (income), net	247	(1,352)	(960)
Total Operating Costs, Expenses and Other	438,678	403,638	342,337
Operating Income	237,412	242,251	162,865
Other Income (Expense)			
Interest, net (Note 13)	(29,870)	(30,084)	(49,458)
Unrealized foreign exchange gain (loss) (Note 16)	32,592	(185,359)	(78,334)
Other, net	17,979	12,415	10,991
Total Other Income (Expense)	20,701	(203,028)	(116,801)
Income Before Income Taxes	258,113	39,223	46,064
Income Tax Expense	(56,361)	(62,133)	(26,535)
Net Income (Loss)	201,752	(22,910)	19,529

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINSSS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of Canadian dollars)

Year Ended December 31,	2016	2015	2014
Net income (loss)	201,752	(22,910)	19,529
Other comprehensive income (loss)			
Benefit plans			
Unrealized actuarial (losses) gains arising during period (net of tax benefit (expense) of $3,451, $(1,141), and $2,877, respectively)	(5,985)	3,153	(8,331)
Amortization of prior service costs (net of tax expense of $(34), $(20), and $(23), respectively	59	56	68
Amortization of actuarial losses (net of tax expense of $(678), $(593), $(426), respectively	1,177	1,641	1,232
Foreign currency translation adjustments	(1,730)	11,977	4,853
Total other comprehensive (loss) income	(6,479)	16,827	(2,178)
Comprehensive income (loss)	195,273	(6,083)	17,351

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC

COMBINED CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

December 31,	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	158,976	72,719
Accounts receivable (Note 2)	34,539	30,846
Accounts receivable-affiliates (Note 9)	39,092	68,506
Inventories (Note 2)	12,435	10,945
Other current assets (Note 4)	16,753	14,262
Total current assets	261,795	197,278
Property, plant and equipment, net (Note 5)	3,181,075	3,008,319
Goodwill (Note 2)	248,027	248,027
Deferred charges and other assets (Note 6)	48,491	31,538
Total Assets	3,739,388	3,485,162
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (Note 7)	109,212	82,535
Accounts payable-affiliates (Note 9)	144,300	115,068
Accrued interest-affiliates (Note 9)	61,819	65,734
Regulatory liabilities (Note 2)	122,859	170,535
Other current liabilities (Note 8)	24,236	18,357
Total current liabilities	462,426	452,229
Long-term liabilities and deferred credits		
Long-term debt-affiliates (Note 9)	1,362,126	1,320,420
Deferred income taxes (Note 10)	304,763	253,352
Retirement and postretirement benefits (Note 11)	74,894	62,300
Regulatory liabilities (Note 2)	37,614	87,886
Deferred revenues	51,648	50,482
Other deferred credits (Note 12)	9,961	7,506
Total long-term liabilities and deferred credits	1,841,006	1,781,946
Total Liabilities	2,303,432	2,234,175
Commitments and contingencies (Notes 9 and 15)		
Equity		
Share capital	1,475,010	1,464,253
Retained deficit	(13,076)	(193,767)
Accumulated other comprehensive loss	(25,978)	(19,499)
Total Equity	1,435,956	1,250,987
Total Liabilities and Equity	3,739,388	3,485,162

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Year Ended December 31,	2016	2015	2014
Operating Activities			
Net income (loss)	201,752	(22,910)	19,529
Non-cash items:			
Depreciation, depletion and amortization	137,168	123,529	88,698
Deferred income tax	55,110	62,574	22,925
Allowance for equity funds used during construction	(17,870)	(12,928)	(11,216)
Unrealized foreign exchange (gain) loss	(32,592)	185,359	78,334
Other non-cash items	(6,186)	9,624	(12,032)
Change in operating assets and liabilities (Note 14)	(27,679)	(121,331)	170,934
Cash provided by operating activities	309,703	223,917	357,172
Investing Activities			
Capital expenditures	(269,056)	(340,017)	(485,845)
Contributions to trusts	(13,695)	(14,036)	—
Sale of property, plant and equipment, net of removal costs	(425)	1,660	6
Change in restricted cash	(332)	(969)	—
Cash used in investing activities	(283,508)	(353,362)	(485,839)
Financing Activities			
Proceeds from debt with affiliates	70,227	52,576	90,000
Repayment of debt with affiliates	—	(929)	—
Contributions from Parent	10,757	10	9
Distributions to Parent	(21,061)	(39,761)	—
Cash provided by financing activities	59,923	11,896	90,009
Effect of Exchange Rate Changes on Cash and Cash Equivalents	139	10,601	7,962
Net increase (decrease) in Cash and Cash Equivalents	86,257	(106,948)	(30,696)
Cash and Cash Equivalents, beginning of period	72,719	179,667	210,363
Cash and Cash Equivalents, end of period	158,976	72,719	179,667
Supplemental Disclosures of Cash Flow Information			
Cash paid to affiliates during the period for interest	45,746	119,845	—
Cash paid (refund) during the period for income taxes	1,137	(358)	1,461
Non-cash Investing and Financing Activities			
Increase (decrease) in property, plant and equipment from both accruals and contractor retainage	26,001	(7,540)	36,383
(Decrease) increase in property, plant and equipment due to foreign currency translation adjustments	(4,029)	23,240	9,148

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.
COMBINED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands of Canadian dollars)

Year ended December 31,	2016	2015	2014
Share capital			
Beginning balance	1,464,253	1,464,228	1,310,790
Contributions	10,757	25	153,438
Ending balance	1,475,010	1,464,253	1,464,228
Retained earnings (deficit)			
Beginning balance	(193,767)	(131,096)	(150,625)
Net income (loss)	201,752	(22,910)	19,529
Distributions	(21,061)	(39,761)	—
Ending balance	(13,076)	(193,767)	(131,096)
Accumulated other comprehensive income			
Beginning balance	(19,499)	(36,326)	(34,148)
Benefit plan adjustments	(4,749)	4,850	(7,031)
Foreign currency adjustments	(1,730)	11,977	4,853
Ending balance	(25,978)	(19,499)	(36,326)
Total Canadian Business equity	1,435,956	1,250,987	1,296,806

The accompanying notes are an integral part of these combined consolidated financial statements.

THE CANADIAN BUSINESS OF KINDER MORGAN, INC.
NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Canadian Business of Kinder Morgan, Inc. represents the combined assets and operations of certain of Kinder Morgan, Inc's Canadian operating subsidiaries, three jointly controlled Canadian investments, and one U.S. entity integral to the operations of the Trans Mountain Pipeline system (''TMPL''). References to ''the Business'' describe these Canadian operating businesses. The Business is indirectly owned by Kinder Morgan, Inc. (''Kinder Morgan''), its Parent.

The Business is comprised of two business segments including (i) the Pipelines segment which includes the TMPL that currently transports approximately 300,000 barrels per day (''bpd'') of crude oil and refined petroleum from the oil sands in Alberta to Vancouver, British Columbia; the Trans Mountain (Puget) pipeline serving Washington State; the Trans Mountain Jet Fuel pipeline serving Vancouver International Airport; Kinder Morgan Canada Inc., the employer of Canadian staff; and the Canadian segment of the Cochin pipeline, a 12-inch diameter multi-product pipeline which spans approximately 1000 km between the Canadian Provinces of Saskatchewan and Alberta; and (ii) the Terminals segment which includes terminal facilities located in Western Canada that provide merchant storage as well as rail terminals offering loading and delivery services for liquids products.

The Kinder Morgan wholly owned subsidiaries included in the accompanying combined consolidated financial statements include the following entities all of which have been under common management and control of Kinder Morgan, as applicable, for all periods presented:

- Trans Mountain Pipeline ULC,
- Trans Mountain Pipeline L.P.,
- Trans Mountain Pipeline (Puget Sound) LLC,
- Trans Mountain (Jet Fuel) Inc.,
- Kinder Morgan Cochin ULC,
- Kinder Morgan Canada Inc.,
- Kinder Morgan Canada Rail Holdings GP Limited (Alberta),
- Kinder Morgan Canada Marine Terminal Limited Partnership,
- Kinder Morgan Canada North 40 Limited Partnership,
- Base Line Terminal East Limited Partnership*,
- Kinder Morgan Canada Edmonton South Rail Terminal Limited Partnership*, and
- Kinder Morgan Canada Edmonton North Rail Terminal Limited Partnership*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Business has prepared its accompanying financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's (''FASB'') Accounting Standards Codification, the single source of United States Generally Accepted Accounting Principles (''U.S. GAAP'') and referred to in this report as the Codification. U.S. GAAP means generally accepted accounting principles that the Securities Exchange Commission has identified as having substantial authoritative support, as supplemented by Regulation S-X under the U.S. Securities Exchange Commission Act of 1934, as amended from time to time. Amounts are stated in Canadian dollars unless otherwise noted which is the functional currency of most of the Business' operations.

In March 2017, the Alberta Securities Commission (''ASC'') and Ontario Securities Commission (''OSC'') issued a relief order which permits the Business to continue to prepare its financial statements in accordance with U.S. GAAP until the earliest of: (i) January 1, 2019; (ii) the first day of the financial year that commences after the Business ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within International Financial Reporting Standards specific to entities with activities subject to rate regulation.

These statements reflect the combined historical results of operations, financial position and cash flows and equity of the Business as if such operations had been combined for the periods presented. The combined statements were derived from the consolidated financial statements and accounting records of Kinder Morgan. The assets and liabilities in these combined consolidated financial statements have been reflected at historical carrying value of the immediate parent(s) within the Kinder Morgan organization structure including goodwill and purchase price assigned amounts, as applicable. All significant intercompany balances between the companies included in

* Kinder Morgan consolidated subsidiaries which hold interests in assets that are jointly owned with unaffiliated entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the accompanying combined consolidated financial statements have been eliminated. The combined consolidated financial statements include the accounts of wholly-owned limited partnerships that, due to a lack of substantive kick-out rights and participating rights, are considered variable interest entities ("VIE's") as these entities are 100% owned and directed by the Business, and it is considered the primary beneficiary. There are no restrictions on a combined VIE's assets reported by the Business in its combined consolidated balance sheets.

Management has evaluated subsequent events through May 23, 2017, the date the financial statements were available to be issued.

Use of Estimates

Certain amounts included in or affecting the financial statements and related disclosures must be estimated, requiring certain assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. These estimates and assumptions affect the amounts reported for assets and liabilities, revenues and expenses during the reporting period, and the disclosures, including as it relates to contingent assets and liabilities at the date of the financial statements. These estimates are evaluated on an ongoing basis, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from these estimates. Any effects on the business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

In addition, the Business believes that certain accounting policies are of more significance in the financial statement preparation process than others, and set out below are the principal accounting policies applied in the preparation of the accompanying financial statements.

Revenue Recognition

Revenue is recognized as services are rendered or goods are delivered and, if applicable, risk of loss has passed.

The Business' Trans Mountain and Cochin pipeline regulated tariffs are designed to provide revenues sufficient to recover the costs of providing transportation services to shippers, including a return of capital and an allowed return on equity. Transportation revenues are recognized when our customers' products are delivered and services have been provided and adjusted according to terms prescribed by the relevant toll settlements with shippers as approved by the regulator. Certain customer contracts may contain minimum volume commitments by the Business' customers. To the extent a customer does not meet its minimum volume commitment, the Business generally recognizes revenue when it has no further performance obligation at the contractual rate applicable to such committed volumes. If such minimum volume commitments contain make up rights, the Business defers revenue until the expiration of the make-up right or when its obligation to the customer has otherwise ceased. Differences between transportation revenue and actual toll receipts are recognized as regulatory assets or liabilities and settled through future tolls.

Bulk terminal transfer service revenues are generally recognized based on volumes handled. Liquids terminal warehousing revenue is generally recognized ratably over the contract period. Liquids terminal throughput revenue is generally recognized based on volumes received and volumes delivered. The Terminals segment generally defers revenue related to capital improvements paid for in advance by certain customers, which is then amortized over the initial term of the related customer contracts.

For the year ended December 31, 2016, the Business had two customers that represented 14% and 10% of total revenue, respectively. For the year ended December 31, 2015, the Business had two customers that each represented 12% of total revenue. For the year ended December 31, 2014, the Business had one customer that represented 13% of total revenues.

Cash, Cash Equivalents and Restricted Cash

The Business defines cash equivalents as all highly liquid short-term investments with original maturities of three months or less. Restricted cash of approximately $1 million as of December 31, 2016 and 2015, is included in "Other current assets."

Accounts Receivable

Provisions for losses on accounts receivable due from customers are established if it is determined that all or part of the outstanding balance is probable of not being collected. Collectability is reviewed regularly and an allowance is established or adjusted as necessary using the specific identification method. The Business had no allowance for doubtful accounts as of December 31, 2016 and December 31, 2015.

Inventories

Our inventories, which consist of materials and supplies, are valued at weighted-average cost, and we periodically review for physical deterioration and obsolescence and adjust inventories to lower cost or market, as necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment is recorded at historical cost. Expenditures for construction, expansion, major renewals and betterments are capitalized. Maintenance and repair costs are expensed as incurred. Expenditures for project development are capitalized if they are expected to have future benefit. The Business capitalizes Interest incurred During Construction (“IDC”) for non rate-regulated assets. For rate-regulated assets, Allowance for Funds Used During Construction (“AFUDC”) is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC includes both an interest component and, if approved by the regulator, a cost of equity component.

These capitalized financing costs are referred to herein as “Capitalized Debt Financing Costs” for capitalized interest costs and “Capitalized Equity Financing Costs” for capitalized equity costs. During the years ended December 31, 2016, 2015 and 2014, $17,870,000, $12,928,000 and $11,216,000, respectively, of Capitalized Equity Financing Costs is included in Other, net on the accompanying combined consolidated statements of operations.

For regulated assets, except Cochin, depreciation is recorded on a straight-line basis over their estimated useful lives. Depreciation rates for regulated assets are approved by the regulator. Non-regulated assets require the use of management estimates of the useful lives of assets. For the Cochin pipeline system assets. a composite depreciation rate is applied to the total cost of the composite group until the net book value equals the salvage value. In applying the composite method, we generally charge the original cost of property sold or retired to accumulated depreciation and amortization, net of salvage and cost of removal.

Asset Retirement Obligations (“ARO”)

The Business records liabilities for obligations related to the retirement and removal of long-lived assets used in its businesses. The fair values of asset retirement obligations are recorded, as liabilities, on a discounted basis when they are incurred and can be reasonably estimated, which is typically at the time the assets are installed or acquired. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities increase due to the change in their present value, and the initial capitalized costs are depreciated over the useful lives of the related assets. The liabilities are eventually extinguished when the asset is taken out of service.

Due to the lack of information that can be derived from past experience or industry practice, the timing and fair value of future removal and site restoration costs for the Business’ assets is not currently determinable. An ARO has not been recognized in these combined consolidated financial statements. Also, see Note 6 regarding Trans Mountain and Cochin Reclamation Trust Securities.

Long-lived Asset Impairments

Long-lived assets and investments are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or investment may not be recoverable. Impairment losses are recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Prior to conducting the goodwill impairment test, to the extent triggering events exist, a review of the carrying value of long-lived assets, including property, plant and equipment as well as other intangibles is completed, and, as applicable, the appropriate impairments are recorded. Because step one of the impairment test for long-lived assets held in use is based on undiscounted cash flows, there may be instances where an asset or asset group is not considered impaired, even when its fair value may be less than its carrying value, because the asset or asset group is recoverable based on the cash flows to be generated over the estimated life of the asset or asset group. No impairments to long-lived assets have been recorded in the years ended December 31, 2016, 2015 or 2014.

Jointly controlled operations

Jointly controlled operations are assets over which the Business has joint ownership with unaffiliated entities which are not held in a partnership, corporation or other legal entity. The Business has three joint ventures that undertake terminalling activities through jointly controlled operations. Jointly controlled operations are accounted for using the proportionate consolidation method for which (i) the Business’ balance sheets include its share of the assets that the Business controls jointly with third parties and the liabilities for which it is jointly responsible and (ii) the Business’ combined consolidated statements of operations include its share of the income and expenses generated by the jointly controlled operations.

Goodwill

Goodwill is the cost of an acquisition in excess of the fair value of the TMPL assets and liabilities when acquired by Kinder Morgan in 2006 and is recorded as an asset assigned to the Pipelines segment. Goodwill is not subject to amortization but must be tested for impairment at least annually. This test requires assignment of goodwill to an appropriate reporting unit and determining if the implied fair value of the reporting unit’s goodwill is less than its carrying amount. Goodwill is evaluated for impairment on May 31 of each year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill is also evaluated for impairment to the extent events or conditions indicate a risk of possible impairment during the interim periods subsequent to the annual impairment test. Generally, the evaluation of goodwill for impairment involves a two-step test, although under certain circumstance an initial qualitative evaluation may be sufficient to conclude that goodwill is not impaired without conducting the quantitative test. No impairments to Goodwill have been recorded in the years ended December 31, 2016, 2015 or 2014.

Regulatory Assets and Liabilities

The Business' Trans Mountain and Cochin operations are regulated by the National Energy Board of Canada ("NEB"). The Business' Trans Mountain (Puget Sound) operations are regulated by the U.S. Federal Energy Regulatory Commission ("FERC") and the U.S. Department of Transportation Office of Pipeline Safety. The FERC exercise statutory authority over rates and ratemaking, for U.S. interstate and international pipelines and accounting practices, while facilities are regulated by the U.S. Department of Transportation Office of Pipeline Safety. To recognize the economic effects of the actions of the regulator, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under U.S. GAAP for non-regulated businesses

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates, or as discussed below, paid out of the Trusts to cover future abandonment costs in relation to the NEB's Land Matters Consultation Initiative. The recognition of regulatory assets and liabilities is based on the actions, or expected future actions, of the regulator.

The Trans Mountain Pipeline Reclamation Trust and Cochin Pipeline Reclamation Trust (the "Trusts") were established in 2015 in the Province of Alberta to set aside funds collected through pipeline abandonment surcharges over a collection period established by the NEB. The use of amounts in the Trusts is restricted to pay future abandonment costs. See Notes 6 and 8.

The following table summarizes the Business' regulatory asset and liability balances:

December 31, (In thousands of Canadian dollars)	**2016**	**2015**
Current regulatory assets[(a)]	9,969	2,648
Non-current regulatory assets	7,414	8,558
Total regulatory assets[(b)]	17,383	11,206
Current regulatory liabilities	122,859	170,535
Non-current regulatory liabilities	37,614	87,886
Total regulatory liabilities[(c)]	160,473	258,421

(a) Amounts are included within Other current assets on the accompanying combined consolidated balance sheets.

(b) Regulatory assets as of December 31, 2016 include (i) $7.4 million of deferred pension and other post-retirement benefit costs and (ii) under-collections of transportation revenues and incentives based on estimated operating costs (see below). As of December 31, 2016, none of the regulatory assets earn a rate of return, and have a weighted average remaining recovery period of approximately 7 years.

(c) Regulatory liabilities as of December 31, 2016 include (i) Westridge dock premium surcharges (see below); and (ii) pipeline abandonment surcharges, that are expected to be returned to shippers or netted against under-collections over time. Approximately, $1.6 million of the $37.6 million classified as non-current is expected to be credited to shippers over a remaining weighted average period of 22 years, while the remaining $36.0 million is not subject to a defined period.

For 2016 and 2015, tolls were governed by the terms of the 2016 - 2018 and 2013 - 2015 Incentive Toll Settlements ("ITS") respectively. The ITS is a negotiated settlement between TMPL, its shippers, and the Canadian Association of Petroleum Producers ("CAPP"), as approved by the NEB. Under the terms of the ITS, tolls are designed to recover an NEB-approved rate of return on capital, an allowance for income taxes, and estimated operating expenses and depreciation for the upcoming year. Differences between expected and actual results cause a transportation revenue variance (an under or over collection of revenue) in a given year. These under or over collections are recorded as regulatory assets or liabilities, respectively, and are collected from or refunded to shippers via toll adjustments in subsequent years. As of December 31, 2016 and 2015, there was approximately $10 million and $3 million, respectively, of transportation revenue variance and incentives recorded in Other current assets and Deferred charges and other assets in the accompanying combined consolidated balance sheets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On April 12, 2006, the NEB approved the inclusion of a Westridge dock premium in the Trans Mountain pipeline tariff structure as a means of allocating capacity to shippers at the Westridge dock. Such premiums are accounted for as regulatory liabilities because they are refundable to shippers in future periods through tariff reductions incorporated into the following year's rate filings. The timing of such tariff reductions vary depending on the rate filing which is agreed with the shippers and approved annually by the NEB, but is generally one year or more. Customer demand for capacity at the Westridge dock determines the amount of premiums collected and therefore, the amount added to the regulatory liability can vary year to year. As of December 31, 2016 and 2015, there was approximately $121 million and $222 million, respectively, of Westridge dock refundable premiums recorded in current and non-current Regulatory liabilities. The decrease was driven by reduced customer demand at the Westridge docks resulting in lower premiums collected in the current year while premiums previously collected are being amortized according to the agreed tariff reductions. The premiums collected do not result in revenue, but rather comprise a component of the subsequent year's tariff filing.

Income Taxes

Income tax expense is recorded based on an estimate of the effective tax rate in effect or to be in effect during the relevant periods. Changes in tax legislation are included in the relevant computations in the period in which such changes are effective. We do business in a number of provinces with differing laws concerning how income subject to each province's tax regime is measured and at what effective rate such income is taxed, requiring us to estimate how our income will be apportioned among the various provinces in order to arrive at an overall effective tax rate. Changes in our effective rate, including any effect on previously recorded deferred taxes, are recorded in the period in which the need for such change is identified.

Deferred income tax assets and liabilities are recognized for temporary differences between the basis of assets and liabilities for financial reporting and tax purposes. Deferred tax assets are reduced by a valuation allowance for the amount that is more likely than not to be realized. While we have considered estimated future taxable income and prudent and feasible tax planning strategies in determining the amount of our valuation allowance, any change in the amount that we expect to ultimately realize will be included in income in the period in which such a determination is reached. For the years ended and as of December 31, 2016 and 2015, there is no U.S. income tax recognized on Trans Mountain Pipeline (Puget Sound) LLC as it is a subsidiary of a limited partnership.

Effective January 1, 2016, the Business elected to early adopt Accounting Standards Update (ASU) 2015-17 and applied the standard on a prospective basis. The amendments require that deferred tax liabilities and assets be classified as noncurrent in the combined consolidated balance sheets. The adoption of the pronouncement did not have a material impact on the Business' combined consolidated financial statements.

Foreign Currency

Transactions in foreign currencies are initially recorded at the exchange rate in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars using the closing exchange rate at the balance sheet date. The resulting exchange rate differences are included in the consolidated combined statement of operations.

The Business translates the assets and liabilities of Trans Mountain Pipeline (Puget Sound) LLC, which uses U.S. dollars as its functional currency, to Canadian dollars at year-end exchange rates. Income and expense items are translated at weighted-average rates of exchange prevailing during the year and its equity accounts are translated by using historical exchange rates. The cumulative translation adjustments balance is included in the "Accumulated other comprehensive loss" balance on the Business' combined consolidated balance sheets and would be recognized in earnings upon the sale of those U.S. operations.

Environmental Matters

Environmental expenditures are capitalized or expensed, as appropriate. Certain environmental expenditures required in obtaining rights-of-way, regulatory approvals or permitting as part of construction are capitalized. Environmental costs that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation are accrued and expensed. Environmental liabilities are generally not discounted to a net present value, and environmental liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, recording of these accruals coincides with completion of a feasibility study or commitment to a formal plan of action. Receivables are recognized for anticipated associated insurance recoveries when such recoveries are deemed to be probable. Environmental liabilities assumed in a business combination are recorded at fair value, where appropriate.

Reviews of potential environmental issues and claims that could impact the Business' assets or operations are routinely conducted. These reviews assist in identifying environmental issues and estimating the costs and timing of remediation efforts. Environmental liabilities are also routinely adjusted to reflect changes in previous estimates. In making environmental liability estimations, the material effect of environmental compliance, pending legal actions against the Business, and potential third-party liability claims are considered. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in income in the period in which they are reasonably determinable. As of December 31, 2016 and 2015, we had $9.3 million and $7.5 million, respectively, accrued for our outstanding environmental matters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Legal Proceedings

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our business that may result in claims against the Business. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business, financial position, results of operations or cash flows. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend the Business. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed. We had no accruals for any outstanding legal proceedings as of December 31, 2016 and 2015.

Trans Mountain Expansion Project Litigation

There are numerous lawsuits pending before the Federal Court of Appeal which have been filed by various governmental and non-governmental organizations, Aboriginal groups, or other parties who seek judicial review of the recommendation of the NEB and subsequent decision by the Federal Governor in Council to conditionally approve the Trans Mountain Pipeline Expansion Project (the "Project"). In one of the appeals, the Coldwater Indian Band seeks to appeal a decision by the Federal trial court denying a petition seeking judicial review of the decision by the Minister of Aboriginal Affairs to approve the assignment of a 1952 Trans Mountain Indenture to Kinder Morgan Canada, Inc. The petitions seeking judicial review of the recommendation of the NEB and subsequent decision by the Governor in Council allege, among other things, that additional consultation, engagement or accommodation is required and that various non-economic impacts of the Project were not adequately considered. The remedies sought include requests that the NEB recommendation be quashed, that additional consultations be undertaken, and that the order of the Governor in Council approving the Project be quashed. A decision by the Federal Court of Appeal is subject to potential further appeal to the Supreme Court of Canada. Although the Business believes that each of the foregoing appeals lacks merit, in the event an applicant is successful at the Supreme Court of Canada, among other things, the NEB recommendation or Governor in Council's approval may be quashed, permits may be revoked, the Project may be subject to additional significant regulatory reviews, there may be significant changes to the Project plans, further obligations or restrictions may be implemented, or the Project be stopped altogether, which could materially impact the overall feasibility or economic benefits of the Project, which in turn would have a material adverse effect on the Project and, consequently, the Business. In addition to the judicial reviews of the NEB recommendation report and Governor in Council's order, parties have also commenced judicial review proceedings at the Supreme Court of British Columbia seeking to quash the Environmental Assessment Certificate that was issued by the BC Environmental Assessment Office. In the event that an applicant for judicial review is successful, among other things, the Environmental Assessment Certificate may be quashed, provincial permits may be revoked, the Project may be subject to additional significant regulatory reviews, there may be significant changes to the Project plans, further obligations or restrictions may be imposed or the Project may be stopped altogether. In the event that an applicant is unsuccessful at the Supreme Court of British Columbia, they may further seek to appeal the decision to the British Columbia Court of Appeal. Any decision of the British Columbia Court of Appeal may be appealed to the Supreme Court of Canada. A successful appeal at either of these levels could result in the same types of consequences described above.

Pensions and Other Postretirement Benefits

The differences between the fair value of each of the Business' pension and other postretirement benefit plans' assets and the benefit obligations are recognized as either assets or liabilities on the accompanying combined consolidated balance sheet. Deferred plan costs and income — unrecognized losses and gains, unrecognized prior service costs and credits, and any remaining unamortized transition obligations — are recorded in Accumulated other comprehensive loss until they are amortized as a component of benefit expense. See Note 11 for additional information regarding the Business' pension and other postretirement benefit plans.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Updates

Topic 606

On May 28, 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*" followed by a series of related accounting standard updates (collectively referred to as "Topic 606"). Topic 606 is designed to create greater revenue recognition and disclosure comparability in financial statements. The provisions of Topic 606 include a five-step process by which an entity will determine revenue recognition, depicting the transfer of goods or services to customers in amounts reflecting the payment to which an entity expects to be entitled in exchange for those goods or services. Topic 606 requires certain disclosures about contracts with customers and provides more comprehensive guidance for transactions such as service revenue, contract modifications, and multiple-element arrangements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

The Business is in the process of comparing its current revenue recognition policies to the requirements of Topic 606 for each of its revenue categories. While material differences have not been identified in the amount and timing of revenue recognition for the categories reviewed to date, the evaluation is not complete and no conclusions on the overall impacts of adopting Topic 606 have been made. Topic 606 will require revenue recognition policy disclosure include further detail regarding performance obligations as to the nature, amount, timing, and estimates of revenue and cash flows generated from contracts with customers. Topic 606 will also require disclosure of significant changes in contract asset and contract liability balances period to period and the amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, as applicable. Topic 606 will be adopted effective January 1, 2018. Topic 606 provides for adoption either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Business plans to make a determination as to its method of adoption once it more fully completes its evaluation of the impacts of the standard on revenue recognition and is better able to evaluate the cost-benefit of each method.

ASU No. 2015-02

On February 18, 2015, the FASB issued ASU No. 2015-02, "*Consolidation (Topic 810) — Amendments to the Consolidated Analysis.*" This ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU No. 2015-02 was adopted effective January 1, 2016 with no material impact to the accompanying combined consolidated financial statements.

ASU No. 2015-11

On July 22, 2015, the FASB issued ASU No. 2015-11, "*Inventory (Topic 330): Simplifying the Measurement of Inventory*." This ASU requires entities to subsequently measure inventory at the lower of cost and net realizable value, and defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU No. 2015-11 was effective January 1, 2017. The Business adopted ASU No. 2015-11 with no material impact on its financial statements.

ASU No. 2016-02

On February 25, 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*." This ASU requires that lessees will be required to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The ASU also will require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 will be effective for the Business as of January 1, 2019. The effect of ASU No. 2016-02 is currently being reviewed.

ASU No. 2016-15

On August 26, 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments (Topic 230)*." This ASU is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. ASU No. 2016-15 was adopted in 2016 with no material impact to the accompanying combined consolidated financial statements.

ASU No. 2016-18

On November 17, 2016, the FASB issued ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).*" This ASU requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are to be included with cash and cash equivalents when reconciling the beginning of period and end of period amounts shown on the statement of cash flows. ASU No. 2016-18 will be effective for the Business as of January 1, 2018. The effect of this ASU is currently being reviewed.

ASU No. 2017-04

On January 26, 2017, the FASB issued ASU 2017-04, "*Simplifying the Test for Goodwill Impairment (Topic 350)*" to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU No. 2017-04 will be effective for the Business as of January 1, 2020. The effect of this ASU is currently being reviewed.

4. OTHER CURRENT ASSETS

December 31, (In thousands of Canadian dollars)	2016	2015
Regulatory assets	9,969	2,648
Prepaid expenses and deposits	3,651	8,054
Restricted cash[(a)]	1,301	969
Other current deferred assets	1,832	2,591
	16,753	14,262

(a) Represents restricted cash by the Trusts that is to be used solely for the purposes of satisfying NEB's Land Matters Consultation Initiative ("LMCI") liabilities. Also see Note 6.

5. PROPERTY, PLANT AND EQUIPMENT, NET

Classes and Depreciation

As of December 31, 2016 and 2015, property, plant and equipment, net consisted of the following:

December 31, (In thousands of Canadian dollars, except years)	Useful Life in Years[(a)]	2016	2015
Pipelines (primarily transportation of crude oil and other refined products)	30 - 64	1,031,150	1,014,116
Station equipment (primarily storage of crude oil and other refined products)	5 - 40	2,019,295	1,965,227
Other	5 - 35	233,102	244,788
Accumulated depreciation, depletion and amortization		(779,648)	(646,301)
		2,503,899	2,577,830
Land		60,247	60,278
Construction work in process		616,929	370,211
Property, plant and equipment, net		3,181,075	3,008,319

(a) For the Cochin pipeline system, the composite depreciation rate is reflected as the equivalent number of years.

As of December 31, 2016 and 2015, property, plant and equipment, net included $2.2 billion and $2.1 billion, respectively, of assets which were regulated by the FERC or the NEB. Depreciation, depletion, and amortization expense charged against property, plant and equipment was $137 million, $125 million, and $88 million for the years ended December 31, 2016, 2015, and 2014, respectively.

For the years ended December 31, 2016, and 2015, Trans Mountain Expansion Project costs, net of contributions in aid of construction, of $480 million, and $335 million, respectively, were capitalized and are included in Property, plant and equipment, net on the combined consolidated balance sheets as construction work in process.

For the years ended December 31, 2016, 2015, property, plant and equipment, net balances increased (decreased) by $16.8 million, and $(7.5) million, respectively, due to overhead accruals. In addition, these balances (decreased) increased by $(4.0) million, and $23.2 million, respectively, due to foreign currency translation adjustments.

6. DEFERRED CHARGES AND OTHER ASSETS

December 31, (In thousands of Canadian dollars)	2016	2015
Trans Mountain Reclamation Trust Securities	25,910	13,000
Cochin Pipeline Reclamation Trust Securities	2,990	1,201
Restricted long-term investments in Canadian government and corporate bonds[(a)]	28,900	14,201
Contributions in aid of construction	1,599	2,082
Regulatory assets	7,414	8,558
Prepaid expenses	6,074	3,792
Other	4,504	2,905
	48,491	31,538

(a) Represents restricted investments in Canadian government and Federal agency bonds. Restricted long-term investments by the Trusts are to be used solely for the purposes of satisfying LMCI liabilities. The Business has related LMCI long term obligations of an amount equal to its restricted cash and restricted investments recorded in "Long-term liabilities and deferred credits — Regulatory liabilities" on the accompanying combined consolidated balance sheets. The restricted assets are measured at fair value with offsetting adjustments recorded to the LMCI liabilities. Fair values for the restricted asset investments were determined based on observable prices and inputs for similar instruments available in the market, utilizing widely accepted cash flow models to value such instruments. Such techniques represent a Level 2 fair value measurement, see Note 16.

7. ACCOUNTS PAYABLE

December 31, (In thousands of Canadian dollars)	2016	2015
Accounts payables — trade	55,330	37,846
Property, plant and equipment accrued liabilities	53,882	44,689
	109,212	82,535

8. OTHER CURRENT LIABILITIES

December 31, (In thousands of Canadian dollars)	2016	2015
Deferred revenue	14,287	10,053
Environmental capital recovery surcharge	5,072	3,633
Retirement and postretirement liabilities	1,046	980
Accrued income taxes	676	1,167
Other	3,155	2,524
	24,236	18,357

9. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Affiliate and Related Party Balances

The following tables summarize affiliate and related party balance sheet balances and income statement activity:

December 31, (In thousands of Canadian dollars)	2016	2015
Balance sheet location		
Accounts receivable — affiliates	39,092	68,506
	39,092	68,506
Accounts payable — affiliates	144,300	115,068
Accrued interest — affiliates	61,819	65,734
Long-term debt — affiliates	1,362,126	1,320,420
	1,568,245	1,501,222

Revenues, operating costs and capitalized costs are under normal trade terms. See *Long-term Debt — Affiliates* below for interest expense terms.

Years Ended December 31, (In thousands of Canadian dollars)	2016	2015	2014
Income Statement location			
Revenues — Services[(a)]	59,116	39,043	—
Operations and maintenance and general and administrative expense	2,298	3,490	366
Interest expense	44,500	42,469	62,996
Other			
Capitalized costs in property, plant and equipment	19,073	21,755	34,901

(a) Amounts represent sales to a customer who is a related party through joint ownership of a joint venture.

Accounts receivable and payable

Accounts receivable — affiliate and accounts payable — affiliate are non-interest bearing and are settled on demand.

Long-term Debt — Affiliates

As of December 31, 2016 and December 31, 2015, the Long-term debt — affiliates on the combined consolidated balance sheets includes $1,362.1 million and $1,320.4 million, respectively, of U.S. dollar denominated five-year notes payable to Kinder Morgan subsidiaries. As of December 31, 2016, $1,126.2 million of notes are due from January 31, 2019 to December 31, 2020 and have interest rates ranging from 3.50% to 4.82%, (see Note 13) and the Business has a $235.9 million non-interest bearing note payable to a Kinder Morgan subsidiary that is due on December 30, 2018.

KMI and substantially all of its U.S. subsidiaries, including Trans Mountain Pipeline (Puget Sound) LLC, are a party to a cross guarantee agreement whereby each party to the agreement unconditionally guarantees, jointly and severally, the payment of specified indebtedness of each other party to the agreement.

Fair Value of Financial Instruments

The carrying value and estimated fair value of debt — affiliates balances are disclosed below:

	2016		2015	
December 31, (In thousands of Canadian dollars)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Total debt	1,126,206	1,183,296	1,085,755	1,092,739

9. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (Continued)

Total debt excludes $235.9 million and $234.7 million of non-interest bearing notes payable from the carrying value and estimated fair value balances as of December 31, 2016 and 2015, respectively. Level 2 input values were used to measure the estimated fair value of the long-term debt — affiliates balance as of both December 31, 2016 and 2015.

10. INCOME TAXES

The components of "Income Before Income Taxes" are generated as follows:

Years Ended December 31, (In thousands of Canadian dollars)	2016	2015	2014
Canada	235,435	21,147	34,722
U.S.	22,678	18,076	11,342
Total Income Before Income Taxes	258,113	39,223	46,064

Components of the income tax provision are as follows:

Years Ended December 31, (In thousands of Canadian dollars)	2016	2015	2014
Current tax expense (benefit)			
Canada	1,251	(441)	3,610
U.S.	—	—	—
Total	1,251	(441)	3,610
Deferred tax expense			
Canada	55,110	62,574	22,925
U.S.	—	—	—
Total	55,110	62,574	22,925
Total tax provision	56,361	62,133	26,535

The difference between the statutory income tax rate and the effective income tax rate is summarized as follows:

Years Ended December 31, (In thousands of Canadian dollars, except percentages)	2016		2015		2014	
Statutory income tax	69,691	27.0%	10,198	26.0%	11,516	25.0%
Increase (decrease) as a result of:						
Foreign earnings not taxable	(6,123)	(2.4)%	(4,700)	(12.0)%	(2,836)	(6.2)%
Capital gains deduction	(4,075)	(1.6)%	22,357	57.0%	7,581	16.5%
Valuation allowance	(4,075)	(1.6)%	22,321	56.9%	8,222	17.8%
Tax impact on the future tax rate change	1,306	0.5%	7,856	20.0%	—	— %
Inter-corporate charges not tax deducted	(295)	(0.1)%	4,621	11.8%	1,624	3.5%
Other	(68)	— %	(520)	(1.3)%	428	1.0%
Total	56,361	21.8%	62,133	158.4%	26,535	57.6%

10. INCOME TAXES (Continued)

Deferred tax assets and liabilities result from the following:

As at December 31, (In thousands of Canadian dollars)	2016	2015
Deferred tax assets		
Non capital losses	11,811	12,550
Reserves	35,769	34,196
Other	164	12
Capital losses	28,322	30,577
Valuation allowances	(28,322)	(30,577)
Total deferred tax assets	47,744	46,758
Deferred tax liabilities		
Property, plant and equipment	(352,507)	(300,110)
Total deferred tax liabilities	(352,507)	(300,110)
Net non-current deferred tax liability	(304,763)	(253,352)

Deferred Tax Assets and Valuation Allowances: We have deferred tax assets of $11,811,000 related to non-capital loss carryovers, $28,322,000 capital loss carryovers and $28,322,000 of valuation allowances related to these deferred tax assets at December 31, 2016. As of December 31, 2015, we had deferred tax assets of $12,550,000 related to non-capital loss carryovers, $30,577,000 capital loss carryovers and $30,577,000 of valuation allowances related to these deferred tax assets. We expect to generate taxable income beginning in 2018 and utilize all non-capital loss carryforwards by the end of 2018.

Expiration Periods for Deferred Tax Assets: As of December 31, 2016, we have non-capital loss carryforwards of $44 million, which will expire from 2029-2036 and capital loss carryforwards of $213 million which can be carried forward indefinitely.

Unrecognized Tax Benefits: The Business has no unrecognized tax benefits as of December 31, 2016 and December 31, 2015.

11. BENEFIT PLANS

The Business sponsors pension plans covering eligible Canadian employees and include plans which are closed to new participants. The plans include registered defined benefit pension plans (the closed plan includes a defined contribution component that was converted to a defined benefit pension and is included in the following disclosures), supplemental unfunded arrangements (which provide pension benefits in excess of statutory limits) and defined contribution plans. The Business also provides postretirement benefits other than pensions for retired employees.

Defined pension plans

Retirement benefits under the defined benefit plans are based on employees' years of credited service and remuneration. Contributions for the defined benefit component of the plans are based upon independent actuarial valuations. The most recent actuarial valuation of the defined benefit pension plans for funding purposes was completed as of December 31, 2016. Contributions for the defined contribution component of the closed plan are based upon pensionable earnings.

Certain employees are eligible to receive supplemental benefits under the defined benefit plans. The supplemental plans provide pension benefits in excess of statutory limits. The supplemental plans are unfunded and are secured by letters of credit.

Other post-employment benefits

Other post-employment benefits ("OPEB") are provided to current and future retirees and their dependents, including, depending on circumstance, supplemental health, dental and life insurance coverage. Medical benefits under these OPEB plans may be subject to deductibles, co-payment provisions, dollar caps and other limitations on the amount of employer costs, and the Business reserves the right to change these benefits. Post-employment benefits are unfunded and annual expense is recorded on an accrual basis based on independent actuarial determination, considering, among other factors, health care cost escalation. The most recent actuarial valuation was completed as at December 31, 2016.

11. BENEFIT PLANS (Continued)

Benefit Obligation, Plan Assets and Funded Status

The following tables detail the changes in the benefit obligation, the fair value of plan assets and the recorded asset or liability for the defined benefit pension plans and OPEB plans using the accrual method.

December 31, (In thousands of Canadian dollars)	Pension		OPEB	
	2016	2015	2016	2015
Change in accrued benefit obligation				
Benefit obligation at beginning of period	209,276	205,619	18,390	17,996
Service cost	7,407	7,796	645	720
Interest cost	7,263	7,876	623	688
Actuarial (gain) loss	15,362	(7,597)	551	(279)
Benefits paid	(8,513)	(7,755)	(796)	(735)
Participant contributions	3,461	3,337	—	—
Benefit obligation at end of period	234,256	209,276	19,413	18,390
Change in plan assets				
Fair value of plan assets at beginning of period	164,386	149,985	—	—
Actual (loss) return on plan assets	7,539	7,126	—	—
Employer contributions	10,856	11,693	796	735
Participant contributions	3,461	3,337	—	—
Benefits paid	(8,513)	(7,755)	(796)	(735)
Fair value of plan assets at end of period	177,729	164,386	—	—
Underfunded status at end of year	(56,527)	(44,890)	(19,413)	(18,390)
Presented as follows:				
Current benefit liability[a]	(210)	(184)	(836)	(796)
Non-current benefit liability[b]	(56,317)	(44,706)	(18,577)	(17,594)
	(56,527)	(44,890)	(19,413)	(18,390)

(a) Amounts included in Other current liabilities on the combined consolidated balance sheets.

(b) Amounts included in Retirement and postretirement benefits on the combined consolidated balance sheets.

Components of Accumulated Other Comprehensive Loss

The following table details the amounts of pre-tax accumulated other comprehensive loss related to the pension and OPEB plans which are included on the accompanying combined consolidated balance sheets, and excludes amounts recoverable through tolls which are accounted for as regulatory assets or liabilities,

December 31, (In thousands of Canadian dollars)	Pension		OPEB	
	2016	2015	2016	2015
Unrecognized net actuarial loss	(48,096)	(40,807)	(3,164)	(2,872)
Unrecognized prior service cost	(1,217)	(1,311)	—	—
Accumulated other comprehensive loss	(49,313)	(42,118)	(3,164)	(2,872)

Actuarial gains and losses and prior service costs deferred in accumulated other comprehensive income are amortized into income over either the period of expected future service of active participants, or over the expected future lives of inactive plan participants. It is anticipated that approximately $4.1 million of pre-tax accumulated other comprehensive loss will be recognized as part of the net periodic benefit cost in 2017, including $3.9 million of unrecognized net actuarial loss and approximately $0.2 million of unrecognized prior service cost. Pension and other postretirement benefits expense associated with direct labour attributable to Trans Mountain's regulated operations is considered a flow through cost under the terms of TMPL's ITS.

Plan Assets. The investment policies and strategies for the assets of the pension plans are established by the Pension Committee (the "Committee"), which is responsible for investment decisions and management oversight of the plans. The stated philosophy of the

11. BENEFIT PLANS (Continued)

Committee is to manage these assets in a manner consistent with the purpose for which the plans were established and the time frame over which the plans' obligations need to be met. The objectives of the investment management program are to (1) meet or exceed plan actuarial earnings assumptions over the long term and (2) provide a reasonable return on assets within established risk tolerance guidelines and to maintain the liquidity needs of the plans with the goal of paying benefit and expense obligations when due. In seeking to meet these objectives, the Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. In order to reduce portfolio risk and volatility, the Committee has adopted a strategy of using multiple asset classes.

As of December 31, 2016, the allowable range for asset allocations in effect for the pension plans were 0% to 55% equity and 45% to 100% fixed income.

Below are the details of the pension plan assets by class and a description of the valuation methodologies used for assets measured at fair value.

- Level 1 assets' fair values are based on quoted market prices for the instruments in actively traded markets. Included in this level are cash and exchange traded mutual funds. These investments are valued at the closing price reported on the active market on which the individual securities are traded.
- Plan assets with fair values that are based on the net asset value per share, or its equivalent ("NAV"), as reported by the issuers are determined based on the fair value of the underlying securities as of the valuation date and include private investment funds. These amounts are not categorized within the fair value hierarchy described above, but are separately identified in the following tables.

Listed below are the fair values of the pension plans' assets that are recorded at fair value by class and categorized by fair value measurement:

December 31, (In thousands of Canadian dollars)	Pension Assets 2016	Pension Assets 2015
Measured within Level 1 of fair value hierarchy		
Cash	4,423	4,173
Mutual funds[(a)]	171,685	158,859
Subtotal	176,108	163,032
Measured at NAV[(b)]		
Private investment funds[(c)]	1,621	1,354
Subtotal	1,621	1,354
Total plan assets fair value	177,729	164,386

(a) Mutual funds were invested in 68% fixed income and 32% equity in 2016 and 70% fixed income and 30% equity in 2015.

(b) Plan assets for which fair value was measured using NAV as a practical expedient.

(c) Private investment funds were invested in approximately 7% fixed income, 33% equity and 60% balanced funds in 2016 and 8% fixed income, 31% equity and 61% balanced funds in 2015.

Expected Payment of Future Benefits and Employer Contributions. Following are the expected future benefit payments as of December 31, 2016:

Fiscal year (In thousands of Canadian dollars)	Pension	OPEB
2017	8,584	836
2018	9,243	872
2019	9,949	908
2020	10,410	942
2021	10,795	970
2022-2026	58,220	5,271

The expected contributions to the pension and OPEB plans in 2017 are approximately $11.0 million and $0.8 million, respectively.

11. BENEFIT PLANS (Continued)

Actuarial Assumptions and Sensitivity Analysis. Benefit obligations and net benefit cost are based on actuarial estimates and assumptions. The following table details the weighted-average actuarial assumptions used in determining the benefit obligation and net benefit costs of the pension and OPEB plans:

	Pension			OPEB		
December 31,	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Assumptions related to benefit obligations:						
Discount rate	3.91%	4.08%	3.90%	3.90%	4.10%	3.90%
Rate of compensation increase	3.75%	3.75%	4.00%	n/a	n/a	n/a
Assumptions related to benefit costs:						
Discount rate for benefit obligations	4.08%	3.90%	4.80%	4.10%	3.90%	4.80%
Discount rate for interest on benefit obligations	3.54%	3.90%	4.80%	3.46%	3.90%	4.80%
Discount rate for service cost	4.25%	3.90%	4.80%	4.30%	3.90%	4.80%
Discount rate for interest on service cost	4.06%	3.90%	4.80%	4.09%	3.90%	4.80%
Expected return on plan assets	4.10%	4.27%	5.19%	n/a	n/a	n/a
Rate of compensation increase	3.75%	4.00%	4.00%	n/a	n/a	n/a

For 2016, discount rates were selected by matching the timing and amount of expected future benefit payments for pension and other postretirement benefit obligations to the average yields of various high-quality bonds with corresponding maturities. Effective January 1, 2016, the estimate of the service and interest cost components of net periodic benefit cost (credit) for the pension and other postretirement benefit plans were changed. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of the pension and postretirement benefit obligations and it is accounted for as a change in accounting estimate, which is applied prospectively. The change in the service and interest costs going forward will not be significant. The expected long-term rates of return on plan assets were determined by combining a review of the historical returns realized within the portfolio, the investment strategy included in the plans' investment policy, and capital market projections for the asset classes in which the portfolio is invested and the target weightings of each asset class.

Actuarial estimates for the OPEB plan assumed a weighted-average annual rate of increase in the per capita cost of covered health care benefits of 5.52%, gradually decreasing to 4.50% by the year 2035. Assumed health care cost trends have a significant effect on the amounts reported for OPEB plans. A one-percentage point change in assumed health care cost trends would have the following effects:

December 31, (In thousands of Canadian dollars)	**2016**	**2015**
One-percentage point increase:		
Aggregate of service cost and interest cost	135	140
Accumulated postretirement benefit obligation	1,414	1,349
One-percentage point decrease:		
Aggregate of service cost and interest cost	(101)	(107)
Accumulated postretirement benefit obligation	(1,135)	(1,082)

11. BENEFIT PLANS (Continued)

Components of Net Benefit Cost and Other Amounts Recognized in Other Comprehensive Income. The components of net benefit cost and other amounts, excluding amounts recoverable through tolls, recognized in pre-tax other comprehensive income related to the pension and OPEB plans are as follows (in millions):

Years Ended December 31, (In thousands of Canadian dollars)	Pension			OPEB		
	2016	2015	2014	2016	2015	2014
Components of net benefit cost:						
Service cost	7,407	7,796	5,386	645	720	442
Interest cost	7,263	7,876	8,310	623	688	740
Expected return on assets	(6,829)	(6,523)	(6,760)	—	—	—
Amortization of prior service credit	151	151	151	—	—	—
Amortization of net actuarial loss (gain)	2,908	4,286	2,757	81	127	—
Curtailment and settlement gain	—	—	—	—	—	—
Net benefit (credit) cost	10,900	13,586	9,844	1,349	1,535	1,182
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss:						
Net loss (gain) arising during period	9,094	(4,153)	9,890	342	(141)	1,318
Prior service cost (credit) arising during period	—	—	—	—	—	—
Amortization or settlement recognition of net actuarial (loss) gain	(1,805)	(2,170)	(1,658)	(50)	(64)	—
Amortization of prior service credit	(94)	(76)	(91)	—	—	—
Total recognized in total other comprehensive (income) loss	7,195	(6,399)	8,141	292	(205)	1,318
Total recognized in net benefit cost (credit) and other comprehensive (income) loss	18,095	7,187	17,985	1,641	1,330	2,500

12. OTHER DEFERRED CREDITS

December 31, (In thousands of Canadian dollars)	2016	2015
Environmental liabilities	9,264	7,456
Other	697	50
	9,961	7,506

13. INTEREST EXPENSE, NET

Year ended December, 31 (In thousands of Canadian dollars)	2016	2015	2014
Interest expense on long-term debt-affiliates	44,500	42,469	62,996
Interest expense other	14	(5)	49
Interest income	(100)	(99)	(100)
Capitalized debt financing costs	(14,544)	(12,281)	(13,487)
	29,870	30,084	49,458

14. CHANGES IN OPERATING ASSETS AND LIABILITIES

December 31, (In thousands of Canadian dollars)	2016	2015	2014
Accounts receivable — trade	(3,734)	34,123	(5,452)
Accounts receivables — affiliates	29,577	(26,829)	21,439
Prepaid expenses and deposits	4,397	(1,884)	956
Inventory	(1,523)	(2,437)	(1,210)
Other current assets	(7,619)	17,859	10,681
Deferred amounts and other assets	(4,242)	(1,624)	7,856
Accounts payable — trade	17,479	(16,921)	9,506
Accounts payable — affiliates	17,817	52,225	98,031
Accrued interest	(3,430)	(78,535)	62,996
Other current liabilities	(6,262)	16,292	40,050
Retirement and postretirement benefits obligation	12,660	(6,868)	14,054
Regulatory liabilities and deferred credits	(82,799)	(106,732)	(87,973)
	(27,679)	(121,331)	170,934

15. COMMITMENTS AND CONTINGENCIES

Leases and Rights-of-Way Obligations

The table below depicts future gross minimum rental commitments under operating leases and rights-of-way obligations as of December 31, 2016:

Fiscal Year (In thousands of Canadian dollars)	Commitment
2017	21,627
2018	17,971
2019	16,140
2020	7,357
2021	4,956
Thereafter	2,477
Total minimum payments	70,528

The remaining terms on operating leases range from one to thirteen years. Total lease and rental expenses were $14.1 million, $13.2 million and $7.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Contingencies

The Business is subject to various legal and regulatory actions and proceedings which arise in the normal course of business. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on the Business' combined financial position or results of operations.

The Business and its subsidiaries are also subject to environmental cleanup and enforcement actions from time to time. Although the Business believes its operations are in substantial compliance with applicable environmental law and regulations, risks of additional costs and liabilities are inherent in pipeline and terminal operations, and there can be no assurance that it will not incur significant costs and liabilities. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from the Business' operations, could result in substantial costs and liabilities to the Business.

Although it is not possible to predict the ultimate outcomes, the Business believes that the resolution of the environmental matters to which it is a party, will not have a material adverse effect on its business, financial position, results of operations or cash flows.

Trans Mountain Expansion Project

TMPL is currently seeking final approval from the Board of Directors of Kinder Morgan for the Trans Mountain Expansion Project. The proposed estimated $7.4 billion expansion will increase throughput capacity of TMPL from approximately 300,000 to

15. COMMITMENTS AND CONTINGENCIES (Continued)

890,000 barrels per day ("bpd"). The Project has transportation service agreements for a total of 707,500 barrels per day, representing approximately 80% of the expanded system's capacity (the maximum amount under the regulated limit imposed by the NEB).

On May 19, 2016, the NEB recommended that the Governor in Council approve the Project, subject to 157 conditions. On November 29, 2016, the Governor in Council approved the Project, and directed the NEB to issue, Amending Orders AO-003-OC-2 and AO-002-OC-49, and Certificate of Public Convenience and Necessity OC-064, authorizing the construction of the Project. On January 11, 2017, the Government of British Columbia announced the issuance of an environmental assessment certificate from B.C.'s Environmental Assessment Office to TMPL for the B.C. portion of the Project. The environmental assessment certificate includes 37 conditions that are in addition to and designed to supplement the 157 conditions required by the NEB. The Business has spent a cumulative total, net of contributions in aid of construction, of $480 million on development of the Project as at December 31, 2016 (December 31, 2015 — $335 million). These amounts are included in Property, Plant, and Equipment under construction as detailed in Note 5.

The Business is currently investigating financing options in connection with the Project, which may include borrowing, sale of additional interests in the TMPL, or other alternatives as determined by Kinder Morgan.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

The Business is exposed to credit risk, which is the risk that a customer or other counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to our business, which is primarily concentrated in the crude oil and refined products transportation industry and is dependent upon the ability of its customers to pay for these services. A majority of the customers operate in the oil and gas exploration and development, or energy marketing or transportation industries. The Business may be exposed to long-term downturns in energy commodity prices, including the price for crude oil, or other credit events impacting these industries.

The Business limits its exposure to credit risk by requiring shippers who fail to maintain specified credit ratings or a suitable financial position to provide acceptable security, generally in the form of guarantees from credit worthy parties or letters of credit from well rated financial institutions.

The Business' cash and cash equivalents are held with major financial institutions, minimizing the risk of non-performance by counter parties.

Foreign Currency Transactions and Translation

Foreign currency transaction gains or losses result from a change in exchange rates between the functional currency of an entity, and the currency in which a transaction is denominated. Unrealized gains and losses are recorded in Unrealized foreign exchange gains (losses) and Other, net and realized gains (losses) are recognized in Other, net in the accompanying combined consolidated statements of operations and include:

- As of December 31, 2016 and 2015, the Business had notes payable to Kinder Morgan subsidiaries of $1,362.1 million, and $1,320.4 million, respectively, presented as Long-term debt-affiliates in the accompanying combined balances sheets. These balances are U.S. dollar denominated loans from Kinder Morgan subsidiaries to the Business. Foreign exchange rate changes on the long-term debt with affiliates, and associated interest expense, resulted in unrealized gain (losses) of $29.7 million, $(175.9) million and $(76.0) million for the years ended December 31, 2016, 2015 and 2014, respectively. Although the U.S. dollar denominated long-term loans from Kinder Morgan subsidiaries exposes the Business to significant foreign exchange risk, there is no foreign currency exchange risk on these loans on a Kinder Morgan consolidated basis. As a result, the Business has not historically entered into any foreign currency derivatives and has not historically been engaged in hedging activities related to foreign currency exchange risk. Interest expense on the long-term debt with affiliates is translated at weighted-average rates of exchange prevailing during the year and equity accounts are translated using historical exchange rates; and
- Additionally, unrealized foreign exchange gains (losses) for the year ended December 31, 2016, 2015 and 2014 also includes $2.9 million, $(9.5) million and $(2.3) million, respectively, of foreign exchange gains (losses) recognized for the changes in exchange rates between the Business' Canadian dollar functional currency and the U.S. dollar on U.S. dollar denominated transactions. These gains and losses affect the expected Canadian dollar cash flows on unsettled U.S. denominated transactions, primarily related to cash bank accounts that are denominated in U.S. dollars and affiliate receivables or payables that are denominated in U.S. dollars. The Business translates the assets and liabilities of Trans Mountain Pipeline (Puget Sound) LLC) that has the U.S. dollars as its functional currency to Canadian dollars at year-end exchange rates.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Business will not be able to meet its financial obligations, including commitments, as they become due. It manages its liquidity risk by ensuring access to sufficient funds to meet its obligations. the Business forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. Historically, the Business' primary sources of liquidity and capital resources are funds generated from operations and loans from affiliates, including long term debt with Kinder Morgan subsidiaries. The Trans Mountain Expansion Project will likely require additional third party financing to complete this estimated $7.4 billion (including AFUDC-equity) Trans Mountain Expansion Project, see Note 15 — *Trans Mountain Expansion Project*.

Fair value measurements

The Business does not carry any financial assets or liabilities measured at fair value on a recurring basis, other than the Trusts described in Notes 2 and 6. It discloses the fair value of other financial instruments not measured at fair value. The fair value of financial instruments reflects its best estimate of market value based on generally accepted valuation techniques or models and are supported by observable market prices and rates. When such values are not available, it uses discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Business classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

- Level 1 — inputs to the valuation methodology are quoted prices unadjusted for identical assets or liabilities in active markets.
- Level 2 — inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (i.e. derived from prices).
- Level 3 — inputs to the valuation model are not based on observable market data.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment considering factors specific to an asset or liability and may affect placement within the fair value hierarchy. Level 1 and Level 2 are used for the fair value of cash and cash equivalents and restricted investments, respectively.

Due to the short-term or on demand nature of cash and cash equivalents, restricted cash, accounts receivable, accounts receivable from affiliates, accounts payable, accounts payable to affiliates and accrued interest, it has been determined that the carrying amounts for these balances approximate fair value. See Note 9 — *Fair Value of Financial Instruments.*

17. REPORTABLE SEGMENTS

The reportable business segments of the Business are based on the way management organizes the enterprise. Each of the reportable business segments of the Business represents a component of the enterprise that engages in a separate business activity and for which discrete financial information is available.

The reportable business segments of the Business are:

- Pipelines — the ownership and operation of (i) the Trans Mountain pipeline that currently transports approximately 300,000 barrels per day ("bpd") of crude oil and refined petroleum from the oil sands in Alberta to Vancouver, British Columbia and associated terminal and dock operations; (ii) the Canadian portion of the Cochin pipeline system, a 12-inch diameter multi-product pipeline which spans between Kankakee, Illinois and Fort Saskatchewan, Alberta; (iii) the TM (Puget Sound) pipeline serving Washington State; (iv) the Jet Fuel pipeline serving Vancouver International Airport; and (v) Kinder Morgan Canada Inc.
- Terminals — the ownership and operation of terminal facilities located in western Canada that provide merchant storage as well as rail terminals offering loading and delivery services for liquids product as well as certain bulk commodity handling.

The Company evaluates the performance of the Business' reportable business segments by evaluating the earnings before depreciation and amortization of each segment ("Segment EBDA"). The Company believes that Segment EBDA is a useful measure of the operating performance of the Business because it measures segment operating results before DD&A and certain expenses that are generally not controllable by the operating managers of the respective business segments of the Business, such as general and administrative expense, unrealized foreign exchange losses (or gains) on long-term debt-affiliates, interest expense, and income tax expense. The Business' general and administrative expenses include such items as employee benefits, insurance, rentals, certain litigation and environmental expenses, and

17. REPORTABLE SEGMENTS (Continued)

shared corporate services including accounting, information technology, human resources and legal services. Certain general and administrative costs attributable to Trans Mountain are billable as flow through items to shippers and result in incremental revenues.

The Business considers each period's earnings before all non-cash DD&A expenses to be an important measure of business segment performance for its reporting segments. The Business accounts for intersegment sales at market prices, while it accounts for asset transfers at either market value or, in some instances, book value. Intercompany transactions are eliminated in combination.

Financial information by segment follows:

Years Ended December 31, (In thousands of Canadian dollars)	**2016**	**2015**	**2014**
Revenues			
Pipelines	388,603	383,681	351,012
Terminals	287,487	262,208	154,190
Total combined revenues	676,090	645,889	505,202

Years Ended December 31, (In thousands of Canadian dollars)	**2016**	**2015**	**2014**
Operating expenses[a]			
Pipelines	164,539	152,661	145,018
Terminals	79,035	67,446	50,411
Total combined operating expenses	243,574	220,107	195,429

Years Ended December 31, (In thousands of Canadian dollars)	**2016**	**2015**	**2014**
Other segment operating expense (income)			
Pipelines	—	(1,752)	(1,160)
Terminals	247	400	200
Total combined other expense (income)	247	(1,352)	(960)

Years Ended December 31, (In thousands of Canadian dollars)	**2016**	**2015**	**2014**
DD&A			
Pipelines	62,308	61,305	59,910
Terminals	74,860	62,224	28,788
Total combined DD&A	137,168	123,529	88,698

Years Ended December 31, (In thousands of Canadian dollars)	**2016**	**2015**	**2014**
Other segment income and unrealized foreign exchange loss, net[b]			
Pipelines	17,877	16,742	13,698
Terminals	2,973	(13,856)	(5,052)
Total combined other income and unrealized foreign exchange loss, net	20,850	2,886	8,646

17. REPORTABLE SEGMENTS (Continued)

Years Ended December 31, (In thousands of Canadian dollars)	2016	2015	2014
Segment EBDA[(a)(b)]			
Pipelines	241,941	249,514	220,852
Terminals	211,178	180,506	98,527
Total segment EBDA	453,119	430,020	319,379
DD&A	(137,168)	(123,529)	(88,698)
Unrealized foreign exchange gain (loss) on long-term debt-affiliates	29,721	(175,830)	(75,989)
General and administrative expenses	(57,689)	(61,354)	(59,170)
Interest expense, net	(29,870)	(30,084)	(49,458)
Income tax expense	(56,361)	(62,133)	(26,535)
Total combined net income	201,752	(22,910)	19,529

Years Ended December 31, (In thousands of Canadian dollars)	2016	2015	2014
Capital expenditures			
Pipelines	171,711	200,036	220,094
Terminals	97,345	139,981	265,751
Total combined capital expenditures	269,056	340,017	485,845

December 31, (In thousands of Canadian dollars)	2016	2015
Assets		
Pipelines	2,375,144	2,232,774
Terminals	1,364,244	1,252,388
Total combined assets	3,739,388	3,485,162

(a) Includes natural gas purchases and other costs of sales, operations and maintenance expenses, and taxes, other than income taxes.

(b) For the year ended December 31, 2016, 2015 and 2014 includes (i) $2,871,000, $(9,529,000) and $(2,345,000), respectively, of unrealized foreign exchange gains (losses) for the changes in exchange rates between the Business' Canadian dollar functional currency and the U.S. dollar on U.S. dollar denominated transactions and (ii) $17,870,000, $12,928,000 and $11,216,000, respectively, of Capitalized Equity Financing Costs.

The Business does not allocate interest, net, general administration, income taxes and unrealized foreign currency exchange losses and gains associated with short and long term debt — affiliates to any of its reportable business segments.

Following is geographic information regarding the revenues and long-lived assets of the Business' segments:

Years Ended December 31, (In thousands of Canadian dollars)	2016	2015	2014
Revenues from customers			
Canada	639,473	613,872	483,696
U.S.	36,617	32,017	21,506
Total combined revenues from external customers	676,090	645,889	505,202

December 31, (In thousands of Canadian dollars)	2016	2015
Long-term assets, excluding goodwill		
Canada	3,185,885	2,993,089
U.S.	43,681	46,768
Total combined long-lived assets	3,229,566	3,039,857

APPENDIX "A"

MANDATE OF THE BOARD OF DIRECTORS

The following mandate (the "**Mandate**") established by the board of directors (the "**Board**") of Kinder Morgan Canada Limited (the "**Company**") provides a structure within which directors and management can effectively pursue the Company's objectives.

I. Objectives Sought to be Achieved by this Mandate

This Mandate has been adopted by the Board with a view to promoting:

- Transparency in reporting the Company's financial condition and results of operations, its business activities and other information about the Company, its management and its Board to regulatory authorities, the Company's shareholders and the Company's other constituencies;
- Compliance with not only the literal requirements but also the Board's perception of the intended purposes of applicable laws, rules and regulations; and
- Institutional behavior that conforms to governance standards that exceed the consensus view of minimum acceptable corporate governance standards.

II. Composition of the Board of Directors and Majority Voting Requirements

It is the policy of the Board that the Board will reflect the following characteristics:

- Each director shall be a person of integrity who is dedicated, industrious, honest, candid, fair and discreet;
- Each director shall be knowledgeable, or willing to become so quickly, in the critical aspects of the Company's business and operations;
- Each director shall be experienced and skillful in serving as a member of, overseer of, or trusted advisor to, the senior management or board of at least one substantial corporation, charity, institution or other enterprise; and
- The Board shall encompass a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to the full scope of the Company's operations and interests.

Prospective candidates for director may be suggested to the Board by any director or by such other sources as the Board may choose. The Board will also consider persons suggested by shareholders prospective candidates for director. The Board may adopt policies and procedures with respect to the manner in which shareholders may make such suggestions, including requirements that must be satisfied by the shareholder and suggested nominee before the suggestion will be considered by the Board. Appropriate candidates shall be interviewed by the Chair of the Board or any other director who wishes to do so and nominees shall be recommended by the Chair of the Board to the full Board for its consideration.

Forms of proxy for the vote at shareholders' meetings where directors are to be elected will enable shareholders to vote "for", or to "withhold" from voting, separately for each nominee. Other than in the case of a contested election, a nominee must receive more votes cast "for" than "withhold" his or her election or re-election in order to be elected or re-elected to the Board. If, in the case of an uncontested election, a director receives a greater number of votes "withheld" from his or her election than votes "for" his or her election, that director shall tender his or her resignation for consideration by the Board promptly following confirmation of the shareholder vote. Following receipt of such resignation, the Board will promptly consider the tendered resignation and will determine whether to accept or reject the director's resignation within 90 days following the date of the shareholders' meeting at which the election occurred. The Board shall accept the resignation except in exceptional circumstances.

Promptly following the Board's decision, the Company will disclose that decision, including an explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation, in a press release which press release will also be provided to the Toronto Stock Exchange.

Any director who is required to tender his or her resignation pursuant to the above majority voting requirements will not participate in the Board's consideration of whether to accept or reject the tendered resignation or in any Board meeting relating to the acceptance or rejection of such recommendation. In the event that any director does not tender his or her resignation in accordance with these majority voting requirements shall not be nominated for re-election and shall not be entitled to any benefits (financial or otherwise) as a director or past director of the Company.

III. Functions of the Board of Directors

The business and affairs of the Company shall be managed by or under the direction of the Board, and the Company shall have such officers with such duties as determined by the Board. The Board will consider all major decisions of the Company. However, the Board may delegate certain of its powers and authorities that the directors, or independent directors, as applicable, deem necessary or desirable to effect the efficient administration of the duties of the Board. Under the services agreement (the "**Services Agreement**") among the Company, Kinder Morgan Canada Inc. ("**KMCI**"), Kinder Morgan Canada GP Inc. (the "**General Partner**"), and Kinder Morgan Canada Limited Partnership (the "**Limited Partnership**"), KMCI will provide services with respect to certain aspects of the management, operation and administration of the business and affairs of the Company, the General Partner and the Limited Partnership (and each entity that they control from time to time, collectively, the "**Business**"). References in this Mandate to management or employees of the Company, include all employees of KMCI or any of its affiliates performing services for the Business pursuant to the terms of the Services Agreement. In addition, the Company has entered into a cooperation agreement with Kinder Morgan, Inc. ("**Kinder Morgan**"), KM Canada Terminals ULC, Kinder Morgan Canada Company, the General Partner and the Limited Partnership (the "**Cooperation Agreement**") which provides for, among other things, certain matters relating to the relationships among Kinder Morgan, Inc. the Company, the General Partner, the Limited Partnership and the holders of partnership units in the Limited Partnership.

In accordance with the Company's by-laws and subject to the direction of the Board, management will manage the business and affairs of the Company in a manner consistent with the standards set forth in this Mandate, and, where applicable, in accordance with the terms of the Services Agreement, the terms of the Cooperation Agreement and any specific plans, instructions or directions of the Board. In addition to its regular responsibilities to report to and to seek Board approvals when appropriate, subject to the Services Agreement and the Cooperation Agreement, management shall seek the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Company.

At its regularly scheduled meetings during each year, the Board will review and discuss reports by management on the performance of the Business, its plans and prospects, as well as immediate and longer-term issues facing the Business. In addition to its general oversight of the Company and the matters set out in the Company's by-laws, the responsibilities of the Board and its standing committees shall, subject to the terms of the Services Agreement and the Cooperation Agreement, include:

- monitoring the actions of management, including the performance and achievement of strategic plans and objectives of the Company, including reviewing the operating results of the Company and of the Business, no less than quarterly;
- reviewing and approving the Company's significant financial objectives, plans, and actions;
- reviewing and approving material transactions of the Company not in the ordinary course of business, including significant capital allocations and expenditures;
- promoting ethical behavior and compliance with laws and regulations, auditing and accounting principles, and the Company's own organizational documents;
- taking reasonable steps to identify the principal risks of the Company's business and to review and assess the systems put in place to manage such risks;
- recommending the appointment of an auditor to the shareholders and fixing the remuneration of the auditor if not fixed by the shareholders;

- reviewing, approving and periodically revising, as appropriate, this Mandate and the charters of the Board's various standing committees;
- assessing the Board's own effectiveness in fulfilling these and other Board and committee responsibilities; and
- performing such other functions as are prescribed by law, assigned to the Board in the Company's organizational documents, or set forth in this Mandate.

In all cases, the following matters will be considered by the Board as a whole and not delegated:

- submitting to the shareholders any question or matter requiring approval of the shareholders;
- filling a vacancy among the directors or in the office of auditor or appointing additional directors;
- issuing securities, except in the manner and on the terms authorized by the directors;
- declaring dividends;
- purchasing, redeeming or otherwise acquiring shares issued by the Company, except in the manner and on the terms authorized by the directors;
- paying a commission to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for shares of the Company;
- approving any required management proxy circulars;
- approving any required financial statements; or
- adopting, amending or repealing the by-laws of the Company.

IV. Director Independence

The Board shall have such number of "independent" (as such term is defined by National Instrument 58-101 — *Corporate Governance Guidelines* ("**NI 58-101**")) directors as required by applicable law. Directors who do not meet the independence standards of NI 58-101 may nevertheless make valuable contributions to the Board and to the Company by reason of their experience and wisdom, and the Company expects to have some directors who are members of management or who otherwise are not independent.

The Board will affirmatively determine annually, generally at the regularly scheduled first quarter meeting of the Board, based on a consideration of all relevant facts and circumstances, whether each director is "independent". In making this determination, the Board will affirmatively determine whether each director has any direct or indirect material relationship with the Company. If a director is determined to have such a relationship, he or she cannot be considered independent.

Directors have an affirmative obligation to inform the Board of all material information regarding their circumstances or relationships that may impact their characterization by the Board as "independent" or that may give rise to an actual or perceived conflict of interest, including responding promptly to questionnaires circulated by or on behalf of the Chair of the Board or the Company that are designed to elicit relevant information regarding business and other relationships. This obligation includes all business relationships among directors or between directors and the Company and its affiliates or members of senior management and their affiliates.

In the event that the Board does not have an independent Chair of the Board, it will appoint a Lead Director and develop a procedure for the independent directors to function independently of management and, where necessary, Kinder Morgan. The Board will have a fixed *in camera* agenda item for each Board and committee meeting, during which independent directors, under the direction of the Lead Director or committee chair, may meet without any members of management or non-independent directors present. The Lead Director will be responsible for moderating the *in camera* Board of Directors meetings held by the Board's independent directors and acting as principal liaison between the independent directors and the Chair of the Board on matters dealt with in such *in camera* sessions. In the absence of the Chair of the Board; the Lead Director shall preside at meetings of the Board.

V. Board Leadership

In addition to the duties of a regular Board member and those set forth in the Company's by-laws applicable to the office (if any), the Chair of the Board has the following specific responsibilities:

- schedule Board meetings in a manner that enables the Board and its committees to perform their duties responsibly while not interfering with the ongoing operations of the Company or the Business;
- prepare, in consultation with the Company's executive officers, committee chairs and other directors, the agendas for the Board meetings;
- monitor the relationships and flow of information between senior management and the Board and assess whether such relationships and the quantity, substance and timeliness of that information conforms to the expectations of the Board;
- interview appropriate Board candidates, and discuss with the other Board members, the Chair of the Board's impression of such candidates;
- conduct an annual review and evaluation of the conduct and performance of the Board and the conduct and performance of management;
- consult with the Board with respect to the membership of the various Board committees and the recommendation of the committee chairs; and
- assist the Board in the implementation of this Mandate.

VI. Director's Access to Management and Outside Advisors

Each director shall have full access to: (a) senior management; (b) information about the Company's operations; and (c) any outside advisor to the Company. The Board will work with senior management to, where appropriate, have operating heads of the major business segments of the Business brought to Board meetings from time to time who can provide additional insight into the items being discussed because of personal involvement in those areas. The Board or any committee may request any officer or employee or the Company's counsel or other advisors or consultants to attend a meeting of the Board or such committee, as the case may be, or to meet with any member of or advisor to the Board or such committee.

VII. Outside Experts

While the information needed for the Board's decision making generally will be found within the Company or from management, from time to time the Board may seek legal, accounting or other expert advice from sources independent of management.

Each standing committee of the Board shall have the sole authority, without further authorization from the Board, to engage, compensate, oversee and terminate external independent consultants, counsel and other advisors as it determines necessary to carry out its duties, including, in the case of the Audit Committee, the resolution of any disagreements between management and the Company's external auditors regarding financial reporting. The Company shall provide appropriate funding (as determined by each standing committee) for payment of compensation to advisors engaged by any such committee.

The Board may also engage, compensate, oversee and terminate external consultants, counsel and other advisors as it deems necessary to carry out its duties. The Company shall provide appropriate funding (as determined by the Board) for payment of compensation to advisors engaged by the Board as a whole.

VIII. Board Meetings

The Chair of the Board, in consultation with the other members of the Board, shall determine the timing and length of the meetings of the Board. The Board expects that four regular meetings at appropriate intervals will be sufficient for the discharge of the Board's normal responsibilities. In addition to regularly scheduled meetings, special Board meetings may be called upon appropriate notice at any time to address specific needs of the Company.

Directors are expected to attend and participate in person in each regularly scheduled Board meeting, as well as any meetings of committees of which they are members associated with a regularly scheduled Board meeting. It is recognized, however, that telephone or video conference participation by a director may be necessary from time to time and that such participation is preferable to a director missing a Board meeting.

The Chair of the Board shall establish the agenda for each Board meeting after consulting with the other directors and senior management. Each agenda for a regularly scheduled Board meeting will include an "Other Business" segment. Each director shall be entitled to suggest the inclusion of items on the agenda, request the presence of or a report by any member of senior management or raise subjects during the "Other Business" segment of each regularly scheduled Board meeting that are not on the agenda for that meeting. The Chair of the Board shall circulate the final agenda among the directors. To the extent deemed appropriate by management, the operating heads of the major business segments of the Business shall be afforded an opportunity to make presentations to the Board. The Company's Chief Executive Officer, Chief Financial Officer, President of Pipelines and President of Terminals (if not directors) shall attend each meeting of the Board, unless requested otherwise by the Board.

IX. Board Materials

Analyses and empirical data are important to the directors' understanding of the business to be conducted at a meeting of the Board or any committee. Directors should receive appropriate information and data that are important to their understanding of the business of the Company in sufficient time to prepare for meetings and in any event, if practicable, at least two business days prior to any regularly scheduled meeting in the case of a regular agenda item and as promptly as practicable thereafter with respect to any special agenda item. Such information and data relating to matters to be addressed at a specially scheduled meeting shall be received by directors as soon as practicable prior to the meeting. Efforts shall be made to make this material concise but in sufficient detail to provide the requisite information and a reasonable basis on which the directors can make informed business decisions; it shall be analytic as well as informational; and it shall include highlights and summaries whenever appropriate. The material may be distributed by electronic means, regular mail, fax, courier, or overnight mail. The Board recognizes the importance of directors reviewing and being familiar with the information furnished to them prior to meetings. Notwithstanding the foregoing, it is recognized that under certain circumstances certain written materials may not be made available in advance of a meeting.

Directors may request that the appropriate members of senior management present to the Board information on specific topics relating to the Company or the Business and its operations.

X. Board Committees and Committee Membership

The Board has four standing committees, the Audit Committee, the Nominating and Governance Committee, the Compensation Committee and the Health Safety and Environment Committee. The Board may form a new committee or disband a committee if, in its view, it is appropriate to do so, provided that the Board will always have an audit committee. The Board may determine among its members the members of its committees, provided that the members of the Audit Committee may be chosen solely from those directors that meet the independence requirements of National Instrument 52-110 — *Audit Committees*.

In addition to the Audit Committee the Nominating and Governance Committee, the Compensation Committee and the Health Safety and Environment Committee, the Board may from time to time designate additional or *ad hoc* committees in conformity with the Company's by-laws. Each committee shall have the authority and responsibilities delineated in, and act in accordance with, the Company's by-laws, the resolutions creating it, its applicable charter, if any, and this Mandate. The Board may alter or amend the charter of any standing committee at any time and shall also have the authority to disband any *ad hoc* or standing committee when it deems it appropriate to do so, provided that the Company shall at all times have such committees as may be required by the by-laws, applicable law or listing standards.

Each standing committee shall have a written charter, which shall be approved by the full Board and state the purpose of such committee. Committee charters shall be reviewed at least annually and revised as necessary to reflect the activities of each of the respective committees, changes in applicable law, regulation or listing requirements and other relevant matters, and proposed revisions to such charters shall be approved by the full Board. If any director ceases to be independent under the standards set forth herein or required by law or listing standards while serving on any committee whose members must be independent, he or she shall promptly resign from that committee.

The members of any standing committee of the Board will be appointed annually by the Board, generally at or prior to the regularly scheduled first quarter meeting of the Board, to serve for an annual term and until their successors are duly elected and qualified. Any member of a committee or committee chair may resign or, subject to the by-laws, be removed by the Board from membership on the committee or as chair. Any committee chair will periodically report the applicable committee's findings and conclusions to the Board.

The Company will provide appropriate funding, as determined by each standing committee or the Board, as the case may be, for the ordinary administrative expenses of each committee and the Board that are necessary or appropriate in carrying out its duties.

XI. Committee Meetings

Each committee chair, in consultation with the Chair of the Board, other directors and senior management, shall establish agendas and set meetings in accordance with that committee's charter at the frequency and length appropriate and necessary to carry out the committee's responsibilities.

Any director who is not a member of a particular committee may attend any committee meeting with the concurrence of the committee chair or a majority of the members of that committee.

Any director who so requests will be placed on the list to receive all information circulated to the members of any standing committee, unless the committee chair requests otherwise.

At every meeting of any committee, the presence of a majority of all the members thereof shall constitute a quorum and, the by-laws of the Company, the act of a majority of such members present shall be deemed to constitute the act of such committee. Unless otherwise provided in the by-laws, the charter of a committee or in procedures adopted by the committee, meetings of committees may be called in the same manner and on the same notice as set forth for meetings of directors in the Company's by-laws, and a committee may act by unanimous written consent.

XII. Board Conduct and Review

Members of the Board shall act at all times in accordance with the standards applicable to directors of the Company under the Company's certificate of incorporation and by-laws, the *Business Corporations Act* (Alberta), this Mandate and the requirements of the Company's Code of Business Conduct and Ethics (the "**Code of Ethics**").

The Board, under the leadership of the Chair of the Board, shall conduct an annual review and evaluation of the conduct and performance of the Board, each standing committee and all directors, based upon completion by each director of an evaluation form, generally circulated after the final regularly scheduled Board meeting in each year, or upon such interviews of directors or other methods as the Chair of the Board believes appropriate and suitable for eliciting the relevant information. The evaluation form, or such other method, shall include questions designed to solicit an assessment of:

- the composition and independence of the Board and each committee of which a director is a member;
- access to and review of information from management by the Board and each committee on which a director is a member, and the quality and timeliness of such information;
- the performance of the Board and each committee of which each director is a member;
- the adequacy of the charter of each standing committee of which a director is a member;

- the Board's responsiveness to shareholder concerns;
- the content and effectiveness of, and compliance with, the Company's Code of Ethics; and
- maintenance and implementation of this Mandate.

The review shall seek to determine whether the Board and its committees are functioning effectively and identify specific areas, if any, in need of improvement or strengthening. The results shall be summarized in a report made by the Chair of the Board to the full Board annually, generally during the regularly scheduled first quarter Board meeting in each year and the Board will collectively assess the results and the performance of the Board as a whole, each standing committee and all directors and formulate a response to such collective assessment accordingly. Each standing committee of the Board shall consider the report in connection with such committee's annual evaluation of its own performance.

XIII. Orientation of Directors

The Board shall provide appropriate orientation programs for new directors, which shall be designed both to familiarize new directors with the full scope of the business of the Company and the Business and key challenges and to assist new directors in developing and maintaining the skills necessary or appropriate for the discharge of their responsibilities. The Board and management shall also periodically arrange for site visits or provide materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. The Company shall reimburse each director for reasonable costs incurred if the director chooses to attend and participate in one professionally sponsored conference or educational program annually relating to directors of publicly held companies and their duties and responsibilities.

XIV. Director Compensation

The Board shall review and approve annually the directors' compensation package. Director compensation should be sufficient to enable the Company to attract and retain talented and qualified individuals to serve on the Board and its standing committees. Accordingly, the Company will not be limited to benchmarking its director compensation package to those offered by companies in its peer group or those offered by companies of comparable size, stature and quality.

The Board is aware that questions as to the independence of non-management directors may be raised when director's fees and other compensation and benefits exceed what is customary. The Board also is aware that similar concerns as to the independence of non-management directors may be raised if the Company makes substantial charitable contributions to organizations in which a non-management director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) directors. The Board intends to evaluate these matters when determining the form and amount of director compensation and the independence of a director.

XV. Age, Term and Other Limits

The Board does not currently believe that this Mandate should place a fixed limit on the number of directorships that its directors hold in other companies or impose maximum age or term limits on its directors. The Board believes that such limitations are not necessary to ensure appropriate Board renewal and, in any event, arbitrarily restrict the pool of talent available for service on the Board. Directors are, however, encouraged to limit the number of directorships that they hold in public companies so that they can devote sufficient time to the discharge of their responsibilities to each public company for which they serve as a director, including the Company.

XVI. General Limitations

The members of the Board will discharge the oversight responsibilities set out in this Mandate and in any committee charters by, among other things, evaluating (a) reports given to them, (b) presentations made to them and (c) other significant business and financial reporting decisions which are reported to them by management, internal auditors, external auditors and others. Within the bounds of reasonable business judgment and assessment, and to the extent permissible under law, each member of the Board or of any committee will be entitled to rely on the integrity of the individuals and organizations within and outside of the Company from whom they receive such information. In discharging his or her duties as a member of the Board or of any committee, each member is entitled to rely on the records of the Company and on such information, opinions, reports or statements, including financial statements and other financial data, that is prepared and presented by (i) any officer, employee or committee of the Company or (ii) legal counsel, external auditors, outsourced internal auditors, governance consultants, compensation consultants or other persons as to matters the member reasonably believes are within the person's professional or expert competence and who was selected with reasonable care by or on behalf of the Company, the Board or committee of the Board or any committee of the Company.

XVII. Mandate

The Board shall annually re-evaluate this Mandate and make such revisions as it deems necessary or appropriate. In doing so, the Board shall consider other corporate governance guidelines identified by leading governance authorities and the evolving needs of the Company.

If the Board ascertains at any time that any of the guidelines set forth in this Mandate are not being observed, the Board shall take such action as it deems reasonably necessary to assure full compliance as promptly as practicable.

When this Mandate provides that any particular action by the Board, a committee or the Chair of the Board take place at or in connection with a particular quarterly meeting, such action may be taken at an earlier or later time, in the discretion of the Board, committee or Chair, as applicable.

The Board is responsible for the enactment and approval of changes in the Code of Ethics. The Audit Committee has responsibility for the oversight of the implementation and administration of the Code of Ethics, the review and assessment at least annually of the effectiveness of the Code of Ethics and the recommendation to the Board of suggested changes in the Code of Ethics.

APPENDIX "B"

AUDIT COMMITTEE CHARTER

I. Purpose

The Audit Committee ("**Committee**") is appointed by the board of directors (the "**Board**") of Kinder Morgan Canada Limited (the "**Company**") to assist the Board in fulfilling its oversight responsibilities. The Committee's primary purpose is to:

- monitor the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, accounting and legal compliance and disclosure controls and procedures;
- monitor the Company's compliance with legal and regulatory requirements;
- subject to the rights of shareholders and applicable law, recommend for appointment, engage, oversee, retain, compensate and evaluate the Company's external auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company's external auditors, and establish the fees and other compensation to be paid to the external auditors;
- monitor and evaluate the qualifications, independence and performance of the Company's external auditors and internal auditing function; and
- establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and provide an avenue of communication among the external auditors, management, the internal auditing function and the Board.

References in this Audit Committee Charter ("**Charter**") to management or employees of the Company, or groups or functions of the Company (such as the risk management group) include all employees of Kinder Morgan Canada Inc. ("**KMCI**") or any of its affiliates performing services for the Company pursuant to the terms of the services agreement among the Company, KMCI, Kinder Morgan Canada GP Inc. and Kinder Morgan Canada Limited Partnership.

II. Membership

1. The Committee will be comprised of at least three members of the Board, each of whom must meet the independence criteria set forth in National Instrument 52-110 — *Audit Committees* ("**NI 52-110**") at all times during his or her tenure on the Committee. The Board must unanimously determine that nominees for the Committee meet the applicable independence requirements before it places such nominees on the Committee.
2. All members should possess "financial literacy" (as such term is defined in NI 52-110), or acquire such literacy within a reasonable period of time after joining the Committee.
3. No director will be appointed to the Committee who is currently serving on the audit committees of two or more other public companies unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee and such determination is disclosed in the Company's subsequent management proxy circular.
4. The members of the Committee and the Committee Chair will be appointed by the Board, generally at or prior to the regularly scheduled first quarter meeting of the Board, to serve for an annual term and until their successors shall be duly appointed. The Chair will be available, capable, qualified and competent in dealing with financial and related issues. Any member of the Committee or the Chair may resign or, subject to the Company's by-laws, be removed by the Board from membership on the Committee or as the Chair. The Committee shall not have alternate members. When a vacancy occurs at any time in the membership of the Committee, that vacancy may be filled by the Board.

III. Meetings

The Committee shall meet at least four times annually, usually in conjunction with the Board's regularly scheduled Board meetings, or more frequently as circumstances dictate. The Committee may request any officer or employee of the Company or the Company's counsel or other advisors or consultants to attend a meeting of the Committee or to meet with any member of or advisor to the Committee. Unless otherwise requested by the Chair of the Committee or a majority of the members of the Committee, the external auditors and internal auditors shall attend every meeting of the Committee. The Committee has had and will continue to have regular, direct and confidential access to the Company's external auditors and internal auditors. In preparing the agenda for each Committee meeting, the Chair shall solicit input on the agenda items for the meeting from the other directors, as well as the Company's external auditors and other relevant members of management of the Company.

IV. Responsibilities

The Committee's responsibility is oversight, and it and the Board recognize that management is responsible for the preparation, presentation and integrity of the Company's financial statements. Management and the internal auditors are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out a proper audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements, and other procedures. It is not the Committee's responsibility to certify the Company's financial statements or to guarantee the external auditor's report. It is recognized that the members of the Committee are not full-time employees of the Company and, while each member of the Committee should possess financial literacy or acquire financial literacy within a reasonable period of time after joining the Committee, the members of the Committee are not, and do not hold themselves out to be, accountants or auditors by present profession or certified experts in the field of accounting, auditing or auditor independence. It is also the responsibility of management to assure compliance with laws and regulations and the Company's policies with oversight by the Committee in the areas covered by this Charter.

In this regard, the following functions are expected to be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate under any particular set of circumstances.

Financial Reporting

The Committee will:

1. Review with management and the external auditors any issues relating to the Company's financial statements and the results of the audit thereof. Prior to the filing of any audit required under the securities laws, the auditor shall report to the Committee (a) all critical accounting policies and practices to be used; (b) all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management; (c) the ramifications of the use of such alternative disclosures and treatments; (d) the treatment preferred by the external auditor; (e) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences; and (f) any other reports required to be delivered by the external auditors to the Committee.
2. Review management's disposition of proposed significant audit adjustments as identified by the external auditors.
3. Inquire into whether the statements and disclosures fairly present, in all material respects, the financial condition and results of operations of the Company by requesting explanations from management and from the internal and external auditors on whether:
   - generally accepted accounting principles have been consistently applied;
   - there are any significant or unusual events or transactions;

- the Company's financial and operating controls are appropriately designed and functioning effectively;
- the Company's disclosure controls are appropriately designed and functioning effectively; and
- the Company's financial statements contain adequate and appropriate disclosures.

4. Review with the external auditors their views as to the quality of the Company's accounting principles and financial reporting practices.
5. Review and discuss with management, the external auditors and internal auditors, as appropriate, (a) material issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and material issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the financial statements; (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, if any, on the financial statements of the Company; and (d) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.
6. Meet to review and discuss with management and the external auditors all financial statements and financial disclosure and recommend to the Board for approval, the Company's quarterly and annual financial statements, including the notes thereto, and the related management's discussion and analysis and earnings press release prior to their release to the public.
7. Review with the Chief Executive Officer and Chief Financial Officer the processes undertaken by them to satisfy the requirements for certification relating to the Company's quarterly and annual reports to be filed with securities regulators, to confirm that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified for the reporting period. Obtain assurances from the Chief Executive Officer and Chief Financial Officer as to the adequacy and effectiveness of the Company's disclosure controls and procedures and systems of internal control over financial reporting and that any fraud or illegal acts involving any employees or officers is reported to the Committee.
8. Discuss with management earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's responsibility to discuss earnings releases, financial information and earnings guidance may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Committee is not required to discuss in advance each earnings release or instance in which the Company may provide earnings guidance. If it is not otherwise practicable for the entire Committee to discuss financial information and earnings guidance provided to analysts and rating agencies, such discussion may be performed by the Chair of the Committee.
9. Review and discuss with management the disclosure of financial information, including the use of "pro forma" or non-GAAP financial information and earnings guidance, contained in any press releases or filings filed with the securities regulators (or provided to analysts or rating agencies). Consideration should be given as to whether the information is consistent with the information contained in the financial statements of the Company. Such review and discussion should occur before public disclosure and may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The Committee shall periodically assess the adequacy of such review.
10. Review and discuss management's process for the use in financial statements and earnings releases of financial parameters that are non-GAAP measures.

Internal Control

The Committee will:

1. Review and discuss with management, as well as internal and external auditors, the Company's policies and procedures related to financial risk assessment and risk management, including the Company's material financial risk exposures, the steps management has taken to monitor and control such exposures and the adequacy of the Company's overall control environment and controls in areas representing significant financial risk. It is the responsibility of management to assess and manage the Company's exposure to risk, but the Committee will discuss guidelines and policies to govern the process by which risk assessment and management is undertaken.

2. At each regularly scheduled meeting of the Committee, request that the internal and external auditors present to and discuss with the Committee any significant findings and recommendations they have made but not previously presented. To the extent practicable, the internal and external auditors shall appraise the Chair of the Committee of any such findings or recommendations prior to the time an agenda for such meeting is provided to the Committee. If either the internal or external auditors believe that any such finding or recommendation should be brought to the attention of the Committee prior to its next regularly scheduled meeting, they shall promptly appraise the Chair of the Committee thereof and if appropriate the Chair shall call a special meeting of the Committee.

3. Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

4. Inquire as to the extent to which internal and external auditors review computer systems and applications and the security of such systems and applications.

Internal Audit

1. The Committee will review as often as it deems necessary but at least annually:
   - the annual audit plan, activities and organizational structure of the internal audit function;
   - the qualifications of the internal audit function and, when necessary, participate in the appointment, replacement, reassignment, or dismissal of the director of internal audit; and
   - the effectiveness of the internal audit function.

2. The Committee will review periodically as it deems appropriate the reports prepared by the internal audit staff and management's responses to such reports.

3. The Committee will review and discuss with the external auditor the responsibilities, budget and staffing of the Company's internal audit function.

4. If the Company outsources all or a portion of its internal audit function:
   - The Company's external auditors may not provide any of the internal audit function while they serve as external auditors, and for one full audit cycle after the termination of their engagement as external auditors.
   - The Committee cannot engage an accounting firm to perform internal audit services for the Company if the Chief Executive Officer, Controller, Chief Financial Officer, Vice President, Finance or any person in an equivalent position was employed by such accounting firm and participated in any capacity in the internal audit of the Company within one year preceding the initiation of the internal audit.
   - The Committee will, at least annually, use its reasonable efforts to obtain and review a report from the accounting firm providing outsourced internal auditor services addressing: (a) the accounting firm's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the accounting firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting

one or more independent audits carried out by the accounting firm and any steps taken to deal with such issues.

External Audit

1. The Committee will review:
   - the external auditors' proposed audit scope and approach; and
   - the performance of the external auditors.
2. Subject to the rights of shareholders and applicable law, the Committee will have the direct responsibility for and the sole authority to recommend for appointment, engage, oversee, retain, compensate and evaluate the Company's external auditors, including the resolution of any disagreements between management and the Company's external auditors regarding financial reporting. The Committee, or the Chair or other members of the Committee delegated such authority by the Committee, must pre-approve all audit services to be provided to the Company by the Company's external auditors. The external auditors will report directly to the Committee. The Company will provide appropriate funding (as determined by the Committee) for payment of compensation to the Company's external auditors. The Committee will recommend to the Board that the selection of external auditors be ratified and approved by the shareholders of the Company.
3. The Committee, or the Chair or other members of the Committee delegated such authority by the Committee, has the sole authority to and must approve in advance any non-audit services performed by the Company's external auditors, including tax services. The decisions of any member or members of the Committee to whom authority has been delegated pursuant to the first sentence of this paragraph to approve in advance non-audit services will be presented to the Committee at its next meeting.
4. The lead (or coordinating) audit partner associated with the Company's external auditors will be reviewed and evaluated by the Committee at least annually and the lead (or coordinating) audit partner and the reviewing (or concurring) audit partner must be changed in accordance with any applicable legal or professional requirements. In its review of the external auditor and the lead partner, the Committee shall consider the opinions of management and the Company's internal auditors. In addition to the rotation of audit partners, the Committee will consider whether there should be a rotation of the audit firm itself to assure continuing auditor independence.
5. The Committee cannot engage external auditors to perform audit services for the Company if the Company's Chief Executive Officer, Chief Financial Officer, Vice President, Finance or any person in an equivalent position for the Company was employed by such external auditors and participated in any capacity in the audit of the Company within one year preceding the initiation of the audit.
6. The Committee will, at least annually, use its reasonable efforts to obtain and review a report from the external auditors addressing: (a) the auditors' internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors and any steps taken to deal with such issues; (c) the independence of the external auditors, including a delineation of all relationships between the auditor and the Company; (d) each non-audit service provided to the Company; (e) the aggregate fees billed for each of the previous two fiscal years for each of (i) professional services rendered for the audit of the Company's financial statements and review of the Company's quarterly financial statements or services that are normally provided by the accountant in connection with statutory or regulatory filings or engagements for those fiscal years; (ii) assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not included in clause (i); (iii) professional services for tax compliance, tax advice, and tax planning; and products and services other than those in clauses (i), (ii) or (iii); and (f) if greater than 50%, the percentage of the hours expended on the most recent audit that were attributable to persons other than the external auditor's full-time, permanent employees. The Committee shall discuss such report with the auditor, and shall actively engage in a dialogue with the

auditor with respect to any disclosed discussion of any relationships or services with or for the Company that may impact the auditor's objectivity and independence.

7. The Committee will regularly review with the external auditor any problems or difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the external auditor's activities or on access to requested information, and any significant disagreements with management. The Committee will also review with the external auditor any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); any communications between the external audit team and the external audit firm's national office respecting auditing or accounting issues posed by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the external auditor to the Company. The Committee will also review with the external auditor management's responses to any of these matters.

Other Responsibilities

The Committee will:

1. Meet at least quarterly with the external auditors, director of internal audit, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately.
2. Maintain minutes of meetings and update the Board about significant Committee activities and make appropriate recommendations, as often as the Board or Committee deems appropriate. The Committee will review with the Board any significant issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the external auditors, or the performance of the Company's internal auditors and internal audit function.
3. Annually review and assess the continuing adequacy of this Charter and the performance of the Committee and, if appropriate, recommend changes for the approval of the Board.
4. Prepare a report to shareholders to be included in the Company's periodic disclosure if required by applicable law.
5. Oversee, review and approve changes to policies for the hiring by the Company of present or former employees of the Company's external auditors.
6. When required by the Company's Code of Business Conduct and Ethics (the "**Code of Ethics**") or when requested by the Board, approve related party transactions by a vote of the disinterested members of the Committee.
7. Perform any other activities consistent with this Charter, the Mandate of the Board (the "**Board Mandate**"), the Company's certificate of incorporation and by-laws and applicable law, as the Committee or the Board deems necessary, appropriate or desirable.
8. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors.

V. Ethical and Legal Compliance

The Committee will:

1. Review and assess at least annually the Code of Ethics, recommend changes in the Code of Ethics as conditions warrant and confirm that management has established a system to monitor compliance with the Code of Ethics by officers and relevant employees of the Company.
2. Review management's monitoring of the Company's compliance with the Code of Ethics, and evaluate whether management has systems in place designed to maximize the likelihood that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy applicable legal requirements.
3. Review, with the Company's counsel, legal compliance matters including securities trading policies.

4. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.

5. Oversee, review and approve changes to procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

VI. Power to Engage Advisors

As provided in Board Mandate, the Committee has the sole authority, without further authorization of the Board and at the Company's expense, to retain (and terminate as necessary) and compensate any accounting, legal or other firm of experts to advise the Committee as it deems necessary or appropriate. The Committee shall have sole authority to approve any such firm's fees and other retention terms. The Company shall at all times make adequate provision for the payment of all fees and other compensation, approved by the Committee, to any such firm employed by the Committee.

VII. Procedures

The Committee shall conduct its operations in accordance with any applicable procedures set forth in the Company's by-laws applicable to the operations of the Board and its committees, and in accordance with this Charter and the relevant provisions of the Board Mandate. The Committee shall have the authority to adopt such additional procedures for the conduct of its business as are not inconsistent with those referred to in the preceding sentence. When this Charter provides that any particular action take place at or in connection with a particular quarterly meeting, such action may be taken at an earlier or later time, in the discretion of the Committee. The Committee shall have no authority to delegate its responsibilities specified in this Charter to any subcommittee, except for pre-approval of audit and non-audit services as provided under "External Audit". The Committee will report, through the Committee Chair, to the Board following meetings of the Committee on matters considered by the Committee and its activities.

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: May 25, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

KINDER MORGAN CANADA LIMITED

By: "*Steven J. Kean*"
Chief Executive Officer

By: "*Dax A. Sanders*"
Chief Financial Officer

By: "*Daniel P. E. Fournier*"
Director

By: "*Kimberly A. Dang*"
Director

THE PROMOTER

KINDER MORGAN, INC.

By: "*Steven J. Kean*"
President & Chief Executive Officer

CERTIFICATE OF THE UNDERWRITERS

Dated: May 25, 2017

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

TD SECURITIES INC.

By: "*Alec W. G. Clark*"

RBC DOMINION SECURITIES INC.

By: "*Trevor Gardner*"

CIBC WORLD MARKETS INC.

By: "*Kelsen Vallee*"

SCOTIA CAPITAL INC.

By: "*David Baboneau*"

BMO NESBITT BURNS INC.

By: "*Tim Lisevich*"

NATIONAL BANK FINANCIAL INC.

By: "*Iain Watson*"

BARCLAYS CAPITAL CANADA INC.

By: "*Dominic Hodel*"

CREDIT SUISSE SECURITIES (CANADA), INC.

By: "*Michael Comisarow*"

J.P. MORGAN SECURITIES CANADA INC.

By: "*David Harrison*"

MERRILL LYNCH CANADA INC.

By: "*Jeffrey W. Hamilton*"

MUFG SECURITIES (CANADA), LTD.

By: "*Richard Testa*"

SOCIÉTÉ GÉNÉRALE CAPITAL CANADA INC.

By: "*Pierre Matuszewski*"

KINDER MORGAN
CANADA LIMITED

MERRILLCORPORATION
Printed in Canada | 17-11284-8