

TRUST FUND FOR THE ABANDONMENT OF SARNIA DOWNSTREAM SYSTEM

Trust Fund Financial Statements

December 31, 2015



April 27, 2016

Independent Auditor's Report

To: CIBC Trust Corporation (Trustee)

We have audited the accompanying Trust Fund financial statements for the Abandonment of Sarnia Downstream System, which comprise the Statement of Net Assets Available for Pipeline Abandonment as at December 31, 2015 and the Statement of Changes in Net Assets Available for Pipeline Abandonment for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by the beneficiary, Plains Midstream Canada, based upon books, records and accounts of all transactions provided by the trustee in accordance with the basis of presentation described in Note 2 of the financial statements.

Trustee's responsibility for the financial statements

Trustee is responsible for providing the beneficiary with all books, records and accounts of transactions used for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as the trustee 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 these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trust Fund for the Abandonment of Sarnia Downstream System as at December 31, 2015 and for the year then ended in accordance with the basis of presentation described in Note 2 of the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the trustee to meet the requirements of the financial reporting provisions of the National Energy Board. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for CIBC Trust Corporation, Plains Midstream Canada ULC, and the National Energy Board and should not be distributed to or used by parties other than CIBC Trust Corporation, Plains Midstream Canada ULC, and the National Energy Board.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

**TRUST FUND FOR THE ABANDONMENT OF SARNIA DOWNSTREAM SYSTEM
STATEMENT OF NET ASSETS AVAILABLE FOR PIPELINE ABANDONMENT**

As at December 31,	2015
<i>(Canadian dollars)</i>	
Assets	
Cash	2,743
Receivables	109
Investments, at fair value <i>(Notes 4 and 6)</i>	
Canadian Government Bonds and Canadian Government Guaranteed Bonds	42,885
	45,737
Liabilities	
Payables and accrued liabilities <i>(Note 7)</i>	2,680
Net Assets Available for Pipeline Abandonment	43,057

The accompanying notes are an integral part of these financial statements.

**TRUST FUND FOR THE ABANDONMENT OF SARNIA DOWNSTREAM SYSTEM
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PIPELINE ABANDONMENT**

For the Period from January 28 - December 31,	2015
<i>(Canadian dollars)</i>	
Investing Activities	
Investment income	
Interest income	497
Change in fair value of investments	
Unrealized gain on investments	333
	830
Contributions (Note 3)	44,907
Abandonment Costs Paid	-
Administration Fees	
Investment management fees	11
Trustee and custodial fees	972
Audit fees	1,697
	2,680
Current Income Tax Expense	-
Change in Net Assets Available for Pipeline Abandonment during the Period	43,057
Net Assets Available for Pipeline Abandonment, Beginning of Period	-
Net Assets Available for Pipeline Abandonment, End of Period	43,057

The accompanying notes are an integral part of these financial statements.

**TRUST FUND FOR THE ABANDONMENT OF SARNIA DOWNSTREAM SYSTEM
NOTES TO THE FINANCIAL STATEMENTS**

1. DESCRIPTION OF TRUST FUND

The Trust Fund for the Abandonment of Sarnia Downstream System (the "Trust Fund") is an Alberta resident trust created on January 28, 2015 to fund future abandonment costs for the Sarnia Downstream System.

The Sarnia Downstream System (the "Pipeline") is a pipeline originating from a fractionation facility in Ontario and ending at the US border near Sarnia, Ontario. Plains Midstream Canada ULC is the owner and operator of the Pipeline.

Beneficiaries of the Trust Fund are Plains Midstream Canada ULC (the "Company") and other person(s) having abandonment obligations in respect of the Pipeline. Withdrawal of funds from the Trust Fund must be approved by the National Energy Board (the "NEB"). If a surplus remains in the Trust Fund after all abandonment obligations of the beneficiaries have been discharged, the trustee, with the approval of the NEB, may distribute the Trust Fund or any part thereof among any of the beneficiaries and an orphan pipeline fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements present the information of the Trust Fund as a separate reporting entity independent of the beneficiaries. They are prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting Standards for Private Enterprises (Part II). The Trust Fund qualifies as an investment entity under Accounting Guideline 18 and the principles of that guideline are applied to these financial statements.

Financial Instruments

All of the Trust Fund's investments, receivables, and payables are classified as financial instruments that are measured at fair value. Purchases and sales of investments are recorded as of the trade date. Transactions that have not been settled are reflected in the Statement of Net Assets Available for Pipeline Abandonment as receivables, payables or accrued liabilities. Changes in fair value are recognized in the Trust Fund's Statement of Changes in Net Assets Available for Pipeline Abandonment.

Revenue Recognition

Interest income on short-term notes, treasury bills, bonds and debentures is recorded when earned.

Transaction Costs

Transactions costs are included in the Statement of Changes in Net Assets Available for Pipeline Abandonment as part of expenses.

Use of Estimates

The preparation of financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**TRUST FUND FOR THE ABANDONMENT OF SARNIA DOWNSTREAM SYSTEM
NOTES TO THE FINANCIAL STATEMENTS**

Income Taxes

The Trust Fund is a registered trust as defined in the Income Tax Act and is subject to income taxes. Income taxes are accounted for under the taxes payable method. Under the taxes payable method, only current income tax assets and liabilities are recognized.

The Trust Fund has \$2,182 of unused non-capital losses carried forward.

3. FUNDING POLICY

The Company contributes amounts to the Trust Fund as collected from shippers and in accordance with amounts contained in schedules filed annually with the NEB.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Trust Fund's investments are governed by the Statement of Investment Policies and Procedures (the "SIPP") which provides investment policies and a framework for risk management.

Market Price Risk

The Trust Fund's net assets available for pipeline abandonment are subject to price risk as a result of movements in the valuation of securities contained in the Trust Fund.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fixed income securities in the Trust Fund are exposed to interest rate risk. The following table summarizes the fair value of investments by maturity date as well as average yield by investment class:

December 31,	2015					
	10 to 15 years	15 to 20 years	20 to 25 years	Over 25 years	Total	Average Effective Yield
<i>(Canadian dollars)</i>						
Canadian Government Bonds and Canadian Government Guaranteed Bonds	8,790	1,546	11,935	20,614	42,885	2.04

As at December 31, 2015, if the prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, net assets related to securities held would have decreased or increased by approximately \$6,000.

Credit Risk

Credit risk arises from the possibility that a counter party will be unable to pay its contractual obligations. The Trust Fund's investment policies prohibit investment in securities rated below BBB by the Dominion Bond Rating Service, Standard and Poor's Rating Service, or the equivalent at the time of purchase. In addition, the minimum weighted average credit rating for fixed income investments in the Trust Funds is A.

**TRUST FUND FOR THE ABANDONMENT OF SARNIA DOWNSTREAM SYSTEM
NOTES TO THE FINANCIAL STATEMENTS**

As at December 31, 2015, all investments in the Trust Fund were issued or guaranteed by the Government of Canada. The risk of significant credit loss is considered remote.

Liquidity Risk

Liquidity risk is the risk the Trust Fund may be unable to meet obligations in a timely manner at a reasonable cost. Upon abandonment of the Pipeline, the Trust Fund will provide the Company with the necessary funds to effect the abandonment. The risk that the Trust Fund would not be able to meet this obligation is deemed insignificant and is managed through asset mix and maintaining the appropriate asset liquidity in anticipation of future obligations as they come due.

Fair Value of Financial Instruments

The assets and liabilities of the Trust Fund are measured at fair value and are categorized into one of three different fair value hierarchy levels based on the quality of inputs employed in the measurement.

Level 1

Level 1 includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Trust Fund's cash is categorized as a Level 1 asset.

Level 2

Level 2 includes assets and liabilities whose valuations are determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, volatility factors and broker quotes that can be observed or corroborated in the market.

The Trust Fund's investments are categorized as Level 2 assets since the Government of Canada issued and guaranteed bonds are valued using standard industry valuation techniques using observable inputs. Receivables, payables, and accrued liabilities are also categorized as Level 2 as they are short term in nature and industry standard valuation techniques would use book value as an indicator of fair value.

Level 3

Level 3 includes assets and liabilities valued based on inputs which are unobservable or where the observable data does not support a significant portion of the instruments' fair value.

The Trust Fund does not have any assets or liabilities in the Level 3 category.

5. CAPITAL DISCLOSURES

The Trust Fund defines capital as all investments less cash.

TRUST FUND FOR THE ABANDONMENT OF SARNIA DOWNSTREAM SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

The Trust Fund's objective is to accumulate assets in a consistent and rationale manner over the useful life of the pipeline while avoiding the buildup of significant surplus or incurring significant deficits. The primary goal of the Trust Fund is to ensure that pipeline obligations are secured over time.

The Company is responsible for ensuring the assets of the Trust are managed in accordance with the SIPP and the objectives and goals outlined therein.

6. INVESTMENTS

At December 31, 2015, the Trust Fund held the following individual investments where either the cost or market value exceeded 1% of the cost or market value of total fund assets.

December 31, 2015	Cost	Market Value
<i>(Canadian dollars)</i>		
Canadian Government Bonds and Canadian Government Guaranteed Bonds		
Canada: Maturity 2026 – Coupon Rate 1.5%	3,953	3,990
Canada: Maturity 2027 – Coupon Rate 8.0%	3,340	3,329
Canada: Maturity 2029 – Coupon Rate 5.75%	1,471	1,471
Canada: Maturity 2033 – Coupon Rate 5.75%	1,538	1,546
Canada: Maturity 2037 – Coupon Rate 5.0%	11,977	11,935
Canada: Maturity 2041 – Coupon Rate 4.0%	14,693	14,943
Canada: Maturity 2048 – Coupon Rate 2.75%	5,580	5,671

7. PAYABLES AND ACCRUED LIABILITIES

December 31,	2015
<i>(Canadian dollars)</i>	
Investment management fees	11
Trustee and custodial fees	972
Audit fees	1,697
	2,680