
ARCTIC GLACIER INCOME FUND

**RENEWAL ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2003**

Dated: April 26, 2004

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GLOSSARY

“**ABCA**” means the *Business Corporations Act* (Alberta), S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**AGI**” means Arctic Glacier Inc., a corporation incorporated pursuant to the ABCA and a wholly-owned by the Fund. Where the context requires, references to AGI may include references to The Arctic Group Inc., AGI’s predecessor by amalgamation;

“**Board of Directors**” means the board of directors of AGI;

“**Business Day**” means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;

“**Common Shares**” means common shares in the capital of AGI;

“**Declaration of Trust**” means the declaration of trust dated as of January 22, 2002 among Robert Nagy, James E. Clark, Keith Burrows, Peter Hyndman, David Swaine and Gary Filmon as the initial Trustees, and the Initial Unitholder, which was amended and restated on March 11, 2002;

“**Distributable Cash**” means all amounts received by the Fund, including, without limitation, interest and other payments earned on Subordinated Notes and distributions on Common Shares, less all amounts which relate to the redemption of Units and which have become payable in cash and any amount the Trustees consider necessary to pay costs and any income tax liabilities of the Fund. Distributable Cash is not a recognized measure under Canadian generally accepted accounting principles (GAAP) and does not have a standardized meaning under GAAP. The Fund’s method of calculating Distributable Cash may differ from other companies and accordingly, Distributable Cash may not be comparable to measures used by other companies;

“**DRIP**” means the dividend reinvestment and optional cash purchase plan established by the Fund;

“**EBITDA**” means earnings before interest expense, income taxes, depreciation and amortization and other expense (income). EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution from ongoing operations prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of the Fund’s and AGI’s performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Fund’s method of calculating EBITDA may differ from other companies and accordingly, EBITDA may not be comparable to measures used by other companies;

“**Extraordinary Resolution**” means a resolution passed by the holders of not less than 66 ²/₃% of the aggregate principal amount of Subordinated Notes outstanding, either in person or by proxy, at a meeting of holders of Subordinated Notes called for the purpose of approving such resolution at which the holders of more than 50% in aggregate principal amount of Subordinated Notes are present in person or by proxy, or approval in writing by the holders of not less than 66 ²/₃% of the aggregate principal amount of Subordinated Notes then outstanding;

“**Fund**” means Arctic Glacier Income Fund, an unincorporated open-ended mutual fund trust established under the laws of Alberta pursuant to the Declaration of Trust;

“**Initial Unitholder**” means Laxus Holdings Inc.;

“**Non-Resident**” means a non-resident of Canada within the meaning of the Tax Act;

“**Note Indenture**” means the trust indenture providing for issuance of the Subordinated Notes and made between AGI and the Note Trustee, as trustee;

“**Note Trustee**” means Computershare Trust Company of Canada, or its successors as trustee under the Note Indenture;

“**Person**” means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

“**Special Resolution**” means a resolution passed by a majority of not less than 66²/₃% of the votes cast, either in person or by proxy, at a meeting of Unitholders, called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66²/₃% of the Units entitled to be voted on such resolution;

“**Subordinated Notes**” means the unsecured, subordinated promissory notes of AGI issuable pursuant to the Note Indenture;

“**subsidiary**” means, when used to indicate a relationship with another body corporate (for such purposes, as if the Fund was a corporation rather than a trust):

- (a) a body corporate which is controlled by (i) that other, or (ii) that other and one or more bodies corporate, each of which is controlled by that other, or (iii) two or more bodies corporate each of which is controlled by that other, or
- (b) a subsidiary of a body corporate that is the other’s subsidiary;

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1, 5th Supplement, as amended;

“**Transfer Agent**” means Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario, the registrar and transfer agent for the Units;

“**Trustees**” means the trustees, from time to time, of the Fund;

“**TSX**” means The Toronto Stock Exchange;

“**Unit**” means a unit of the Fund;

“**Unit Option Plan**” means the incentive unit option plan established by the Fund; and

“**Unitholders**” means the holders from time to time of the Units.

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders. All dollar amounts set forth in this Renewal Annual Information Form are in Canadian dollars, except where otherwise indicated.

FORWARD LOOKING STATEMENTS

Certain statements in this Renewal Annual Information Form are “forward looking statements” which reflect management’s expectations regarding the Fund’s future growth, results of operations, performance and business prospects and opportunities. Such forward looking statements reflect management’s current beliefs and are based on information currently available to management. Forward looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with the impact of seasonality on labour and distribution, competition, compliance with government regulations, currency risk, dependence on key personnel, product liability, environmental risk, risks associated with acquisitions, expansion into the United States, effects of price changes in raw materials, restrictions on potential growth and debt refinancing. Although the forward looking statements contained in this Renewal Annual Information Form are based upon what management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as at the date of this Renewal Annual Information Form, and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

ARCTIC GLACIER INCOME FUND

Overview

Arctic Glacier Income Fund (the “Fund”) is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta and created pursuant to a declaration of trust dated January 22, 2002, which declaration was amended and restated on March 11, 2002 (the “Declaration of Trust”). The Fund is administered by a board of trustees (the “Trustees”). The principal and head office of the Fund is located at 625 Henry Avenue, Winnipeg, Manitoba R3A 0V1.

The Fund was established to invest in the packaged ice manufacturing and distribution business in Canada and the United States initially through the acquisition of The Arctic Group Inc. by the Fund’s wholly-owned subsidiary (“Acquisitionco”). Following the acquisition, The Arctic Group Inc. and Acquisitionco were amalgamated to form Arctic Glacier Inc. (“AGI”). AGI now operates the packaged ice manufacturing and distribution business formerly operated by The Arctic Group Inc. Note that where the context requires, references to AGI may include references to The Arctic Group Inc., AGI’s predecessor by amalgamation.

To the maximum extent possible, the Fund intends to make monthly cash distributions to Unitholders of the interest income or principal repayments received in respect of the Subordinated Notes, dividends and other distributions received on, and amounts, if any, received on redemption of, Common Shares, after any cash redemptions of Units and expenditures.

General Development of the Business

During the fall of 2001, the board of directors of The Arctic Group Inc. decided to proceed with the reorganization of The Arctic Group Inc. into an income trust. On March 11, 2002, the shareholders of The Arctic Group Inc. approved of the arrangement agreement between The Arctic Group Inc., Acquisitionco and the Fund and the Court of Queens Bench of Alberta issued its final order approving the arrangement agreement on the same date. The reorganization was completed with an effective date of March 22, 2002. Pursuant to the reorganization, the former shareholders of The Arctic Group Inc. became holders of Units of the Fund, AGI became the owner all of The Arctic Group Inc.’s assets, and the Fund became the owner of all of the Common Shares and Subordinated Notes issued by AGI. AGI now operates the packaged ice manufacturing and distribution business formerly operated by The Arctic Group Inc.

The Fund's authorized capital consists of an unlimited number of Units. Following completion of the reorganization described in the preceding paragraph, there were 6,598,328 units issued and outstanding. Concurrent with the completion of the reorganization and pursuant to a prospectus dated March 12, 2002, the Fund issued an aggregate of 9,052,632 Units at a purchase price of \$9.50 per Unit, for aggregate gross consideration of \$86,000,000. These net proceeds were used by the Fund to subscribe for Common Shares and Subordinated Notes of AGI.

Immediately following the closing of the reorganization described above, AGI operated 17 production and 32 distribution facilities throughout Canada and the central United States. Canadian operations were located in Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. In the United States, operations were located in Minnesota, North and South Dakota, Wisconsin, Iowa, Nebraska, Kansas and Texas. AGI leased real estate for four of its production facilities and 22 of its distribution facilities. The balance of AGI's locations in March 2002 were owned facilities.

In March 2003, AGI acquired the ice division assets ("Ice Castles") of Ice Castles, Inc. Ice Castles is a producer and distributor of packaged ice products servicing central and western Nebraska from its production and distribution centres in Grand Island, North Platte and Gering, Nebraska.

In June 2003, the Fund completed a public offering of 2,650,000 Units at a price of \$9.50 per Unit for aggregate gross proceeds of \$25,175,000. These net proceeds were used by the Fund to subscribe for Common Shares and Subordinated Notes of AGI.

In June 2003, AGI acquired the ice division assets ("Rosenberger Ice") of Rosenberger Companies, Ltd. of Blooming Glen, Pennsylvania. The acquisition was financed with bank debt and a portion of the proceeds from the Fund's June 2003 offering of Units. Based in Hatfield, Pennsylvania, Rosenberger Ice is a large producer and distributor of packaged ice products servicing a market area of more than 10 million people in eastern Pennsylvania, western New Jersey, northern Delaware and northeastern Maryland. Rosenberger Ice operates a central production facility near Philadelphia in Hatfield, Pennsylvania, and satellite production facilities in Stroudsburg, Pennsylvania and Wilmington, Delaware.

In July 2003, AGI established a presence in New York with the acquisition of all of the issued and outstanding common shares of Springdale Ice Company of Mamaroneck, New York, which operated under the name Saxony Ice ("Saxony Ice"), and its affiliated company, Diamond Ice Cube Company Inc. of Bronx, New York ("Diamond Ice"). The acquisitions were financed with bank debt and a portion of the proceeds from the Fund's June 2003 offering of Units. Saxony Ice operates a manufacturing facility in Mamaroneck where it manufactures and distributes ice and operates a retail and wholesale equipment sales and leasing business in and around New York City. Diamond Ice operates a distribution centre in the Bronx distributing ice primarily to restaurants, hotels and caterers in Manhattan and the Bronx.

In October 2003, the Fund completed a public offering of 4,950,000 Units at a price of \$10.10 per Unit for aggregate gross proceeds of \$49,995,000. These net proceeds were used by the Fund to subscribe for Common Shares and Subordinated Notes of AGI.

In October 2003, AGI acquired Brandywine Ice Company of Twin Oaks, Pennsylvania ("Brandywine Ice"), a leading manufacturer and distributor of packaged ice in the northeastern United States. Brandywine Ice services a market area with a population of more than 10 million people. Brandywine's primary markets are in eastern Pennsylvania, southern New Jersey, northern Delaware and northeastern Maryland.

In March 2004, AGI acquired the ice division assets of A.T. Reynolds & Sons, Inc. of Kiamesha Lake, New York. The division, which operates under the trade name of Leisure Time Ice, is a leading manufacturer and distributor of packaged ice in the northeastern United States. Leisure Times Ice's primary markets include central New York state, New York city, northern and central New Jersey and northeastern Pennsylvania. Leisure Time Ice has a manufacturing plant in Kiamesha Lake and distribution centres in Newburgh, New York and Raritan, New Jersey. The acquisition was funded indirectly with proceeds from the Fund's October 2003 public offering of Units.

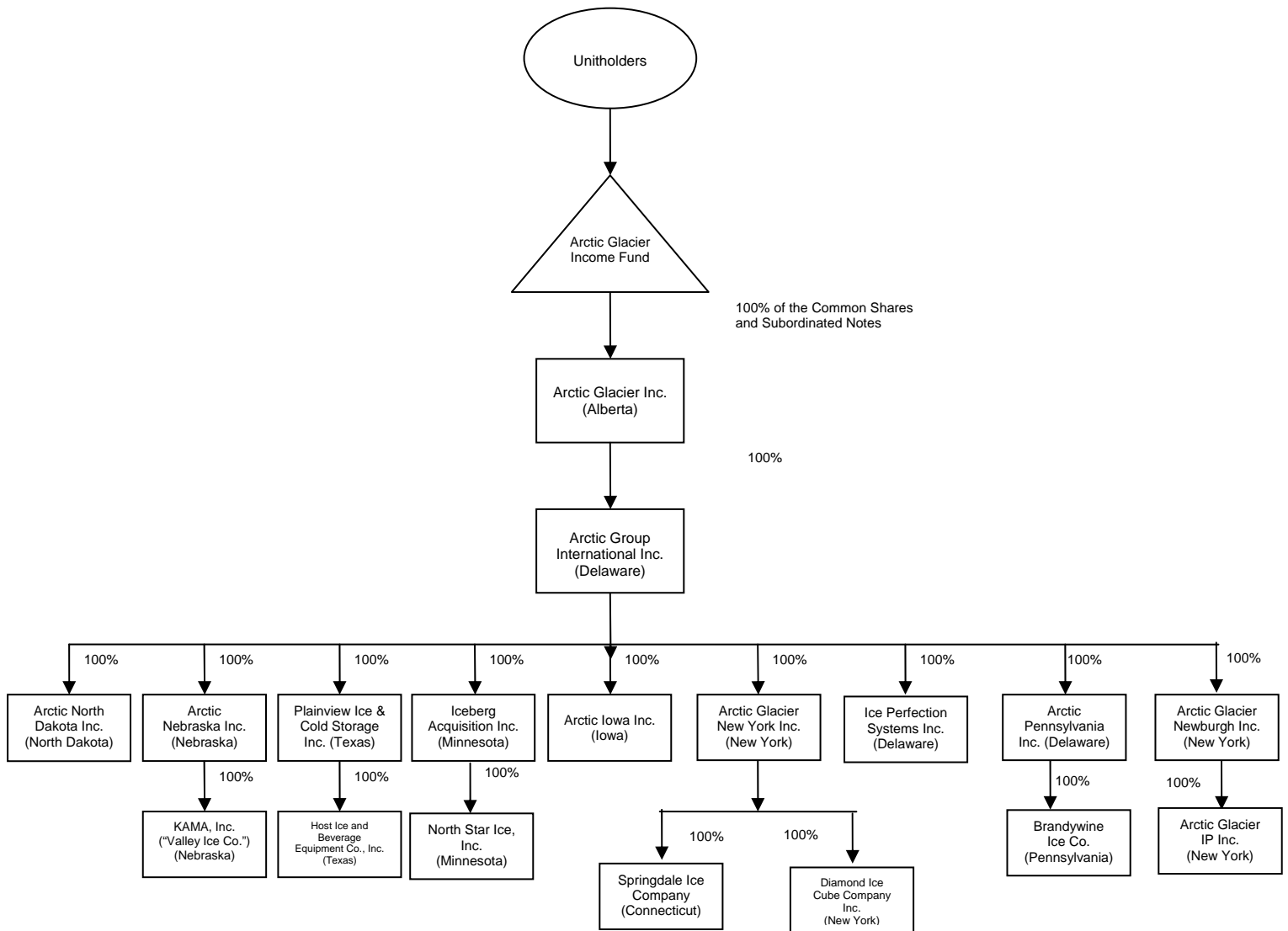
AGI has also entered into franchise agreements with packaged ice manufacturers servicing markets in Iowa, Maine, Massachusetts, Missouri, New Hampshire, New York, South Dakota and Vermont in the United States and Ontario in Canada. Under these agreements, the franchisees will produce packaged ice and distribute it under AGI's "Arctic Glacier[®] Premium Ice" brand.

AGI now operates 22 production and 34 distribution facilities throughout Canada and the central and northeastern United States. Canadian operations are located in Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. In the United States, operations are located in Minnesota, North and South Dakota, Wisconsin, Iowa, Nebraska, Kansas, Texas, New York, New Jersey, Pennsylvania and Delaware.

Management of AGI is continually reviewing investment opportunities in its primary line of business.

Structure of the Fund

The following chart sets out the organizational structure of the Fund, including each of the material subsidiaries of the Fund and their respective jurisdictions of incorporation or formation:



DESCRIPTION OF THE BUSINESS

Overview

The Fund owns all of the issued Common Shares and Subordinated Notes of AGI.

AGI's business is primarily the production and distribution of packaged ice. AGI is the largest producer of packaged ice in Canada and is among the largest producers of packaged ice in the United States. AGI has increased its production capacity from approximately 300 tons per day in 1997 to current production of approximately 3,700 tons per day through a series of acquisitions and the development of new facilities. Consistent with this expansion, AGI's sales have increased from \$5.3 million for the year ended April 30, 1997 to \$97.2 million for the year ended December 31, 2003. Through significant capital investments AGI has upgraded acquired operations and improved their operating margins.

AGI operates 22 production and 34 distribution facilities throughout Canada and the central and northeastern United States. In addition to production capacity of 3,700 tons per day, AGI has refrigerated storage facilities

sufficient to store 17,500 pallets of finished product representing more than 5.0 million retail bags of ice. Approximately 30% of AGI's sales are generated in Canada and 70% in the United States. In Canada, AGI operates eight production facilities with a daily production capacity of approximately 1,100 tons and five distribution warehouses with total cold storage capacity between the production and distribution facilities for 5,500 pallets of finished product. Canadian operations are located in Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. In the United States, AGI operates 14 production facilities with approximately 2,600 tons of daily production capacity as well as an additional 29 distribution warehouses with total cold storage capacity between production and distribution facilities for 12,000 pallets of finished product. These operations are located in Minnesota, North and South Dakota, Wisconsin, Iowa, Nebraska, Kansas, Texas, New York, New Jersey and Pennsylvania. AGI leases real estate for eight of its production facilities and 26 of its distribution facilities. The balance of AGI's locations are owned facilities.

Management of AGI believes that AGI is the leading manufacturer and distributor of packaged ice in each of the markets in which it operates. AGI's principal markets in Canada are Quebec, Southern Ontario, Manitoba, Southern Saskatchewan, Alberta and the lower mainland of British Columbia. In the United States AGI's principal markets are North and South Dakota, Minnesota, western Wisconsin, Iowa, Nebraska, Kansas, western Texas, southern and eastern Pennsylvania, southern and western New Jersey, northern Delaware, northeastern Maryland and New York City. Customers in many additional communities in Canada and the central United States that are not serviced on a direct delivery basis purchase packaged ice produced by AGI through an alternate distribution network.

Since May 1, 1997, AGI has invested more than \$200 million on acquisition of packaged ice businesses and capital expenditures, including upgrading facilities and rationalizing operations. The most recent acquisition by AGI was completed in March 2004. These investments have resulted in a 17% compound annual growth rate and 23% compound annual growth rate in revenues and EBITDA, respectively, from 1998 to 2003.

During the 2003 fiscal year, AGI and its subsidiaries averaged a total of approximately 600 employees during the winter months and approximately 1,000 employees during the summer months. These numbers typically fluctuate throughout the year with the largest number of employees being retained during the summer months and the smallest number of employees being retained in the winter months.

Corporate Strategy

AGI's corporate strategy is focused on three core elements:

- Growth through acquisition;
- Margin improvement; and
- Franchising and brand development.

Growth Through Acquisition

Beginning in 1997, AGI commenced an aggressive acquisition program. Since May 1, 1997, AGI has acquired 47 packaged ice businesses in Canada and the United States at a cost of approximately \$185 million. These geographically contiguous acquisitions have established AGI's critical mass. Management of AGI believes that AGI is now the largest producer and distributor of packaged ice in each of the markets in which it has chosen to operate. These acquisitions provide AGI with the opportunity to enhance performance through the rationalization of production facilities and the expansion of distribution networks and also enable AGI to leverage existing investment in infrastructure and brand development. Over the past three years, the

focus of AGI management has been on rationalizing acquired operations as well as increasing sales revenue. AGI intends to continue to grow through contiguous acquisitions, with a focus on growing its presence in the United States.

AGI will continue to follow a disciplined acquisition approach based on specific geographic and financial criteria for identifying candidates and determining acquisition prices. AGI evaluates each potential platform acquisition target based on certain specific criteria that should be present:

- geographically contiguous to current operations;
- achievement of a certain level of profitability, with significant market share and proven management who are prepared to stay on following the acquisition;
- quality of equipment and infrastructure, including additional investment required to meet our standards;
- above average potential to enhance return on investment through smaller follow-on acquisitions or rationalization; and,
- accretive to annualized Distributable Cash on a per unit basis.

AGI intends to finance its continued acquisition strategy through future Unit offerings and/or debt financings.

Margin Improvement

In order to improve the efficiency of acquired operations, AGI has invested approximately \$14,000,000 since May 1, 1997 to improve product quality and rationalize production, distribution and administrative systems. Specifically, AGI closed several facilities, re-organized its distribution network and consolidated or eliminated administrative functions. This has resulted in an improvement in EBITDA margins from 19.2% in 1998 to current margins of approximately 25.2% for the year ended December 31, 2003. AGI continues to examine additional means to rationalize operations and reduce or eliminate administrative functions.

Production Rationalization

Subsequent to establishing a regional presence through acquisition, AGI rationalized production capacity to introduce economies of scale. Twenty smaller, less efficient production facilities have been closed since May 1, 1997 and new or expanded production facilities are now used to maximize production and distribution efficiencies.

Higher volumes in fewer production facilities have resulted in improved operating efficiencies and plant utilization both during the busy summer season and the slower winter season. In addition, AGI invested in sophisticated packaging equipment that has reduced the cost of packaging materials, increased production speeds, and reduced labour costs.

The biggest benefit to the production rationalization AGI effected occurs in the off-season. Closing smaller production facilities and operating larger production facilities enables AGI to reduce the number of core staff and skilled employees required during this slow period.

Distribution Rationalization

Since 1998, AGI restructured its distribution infrastructure to maximize efficiency. The geographically contiguous growth has enhanced sales density enabling AGI to have a more efficient distribution system with fewer operating vehicles. Over the past five years, AGI closed six redundant distribution facilities and has created centralized distribution centres in each operating region. AGI now distributes its products from 22 production facilities and 34 distribution facilities.

In addition, during 2000, AGI upgraded its distribution infrastructure by investing in a sophisticated hand-held routing and billing system that enabled AGI to better manage and adjust delivery schedules. This system allows drivers to enter customer data directly into AGI's accounting system at the point of sale, which allows AGI to control inventory more effectively, improve the efficiency of sales calls and product delivery, reduce administrative errors and reduce the time required to complete each delivery.

Administrative Rationalization

In 2002, AGI completed the centralization of accounting functions at its corporate offices in Winnipeg, Manitoba and West St. Paul, Minnesota. The accounting centralization has allowed AGI to realize personnel reductions in accounting and administration departments. On a regional basis, order desks have been consolidated into one central location, thereby eliminating permanent positions at the various distribution locations. In addition, the hand-held routing and billing system described above allows AGI to download sales data directly into the accounting system. Along with reducing the number of data entry personnel required, the system has substantially reduced clerical errors.

Quality Initiative

The consolidation of production into larger facilities has enabled AGI to invest in additional water treatment processes to produce a higher quality ice product. AGI has added supplemental water treatment, including micro filtration and ultra violet sterilization, in each of its production facilities to ensure that its ice products are produced from water that meets its enhanced quality standards. In areas where water contains high mineral content, AGI has added reverse osmosis to improve the quality of water.

AGI employs weekly third party testing of its product for microbial contamination. The International Packaged Ice Association (IPIA) has established a set of quality control standards, adherence to which is a requirement of membership. AGI's products are also subject to various federal, provincial and state regulations as a food product, which, among other things, require regular testing of the product for microbial contamination. Management believes that AGI's quality and testing standards exceed the government and industry association requirements.

AGI has also committed resources to overcoming the problem of "wet ice" which results in ice sticking together or clumping in the bag through a process of "freeze drying" the ice. This process leaves the ice product free of moisture and therefore the product is less prone to clumping, resulting in a significant improvement in the quality of the finished product.

In most markets, ice has typically been packaged in a clear or lightly tinted package with minimal graphics, and closed with a wire clip. AGI believes that this method of packaging is not consumer friendly and is inconsistent with ice being a food product. AGI has invested in sophisticated form and fill packaging equipment which produces a heat sealed "pillow pack" comparable to packaging used by most frozen food producers. AGI continues to seek additional ways of enhancing product quality.

Brand Development

Historically, packaged ice has been viewed by most industry participants, retailers and consumers as a commodity product. Ice manufacturers have not focused on brand development with an established set of product attributes. Ice has been viewed as a refrigerant and not as a food product.

AGI believes that by developing a recognized brand with consistent quality attributes, a tremendous opportunity exists to not only increase its market share, but also increase the size of the market. Management believes that the same opportunity exists in the packaged ice industry today as existed in the bottled water industry ten years ago. Management believes that the ice produced in AGI's production facilities meets or exceeds the water quality of most bottled water. A key component of AGI's brand development has been water quality.

In 1999, AGI announced that it would brand its products under the name "Arctic Glacier® Premium Ice". In addition to raising national awareness of the "Arctic Glacier®" brand, this initiative created significant economies of scale, allowing AGI to realize cost efficiencies, particularly in its packaging requirements. AGI has also invested in water filtration and treatment equipment, improved product drying processes and sophisticated packaging equipment that are a key part in positioning "Arctic Glacier®" as a leading, premium quality, branded product, distinct from commodity grade ice products.

Brand Awareness

AGI believes that the development and rollout of the brand name "Arctic Glacier® Premium Ice" has been a significant success for AGI. The size and scope of the market area serviced by AGI has allowed it to take advantage of the economies of scale that one name, with a high quality, consistent image allows. Increased brand awareness is being built through the addition of new colour design and decals on AGI's fleet of 350 vehicles in Canada and the United States — thus creating 350 moving billboards. Across AGI's market, tens of thousands of consumers see the brand image every day. AGI is moving to update the same image over the next several years on company-owned ice merchandising units located at approximately 30,000 of the 40,000 customer locations it serves.

Brand Development through Franchising

During 2001, AGI initiated its franchising program. Under this program, AGI licenses qualified ice producers that meet AGI's quality standards to package their products under the brand name "Arctic Glacier® Premium Ice". In return for being provided with an exclusive territory in which to market "Arctic Glacier® Premium Ice" and the right to service AGI's national or regional accounts in that exclusive territory, the franchisee pays AGI a per unit royalty and provides AGI with a right of first refusal to acquire the franchisee's business.

During 2002, AGI or its subsidiary, Ice Perfection Systems Inc., signed franchise agreements with four companies as follows:

- Tour Ice of Pierre, South Dakota, an independent producer and distributor of packaged ice in South Dakota;
- Crystal Ice of Westpoint, Iowa, a large independent producer and distributor of packaged ice in the central United States servicing markets in Iowa and Missouri;

- The Ice House Inc. of Rapid City, South Dakota, an independent producer and distributor of packaged ice in western South Dakota; and,
- Lecoupe Pure Ice of Sudbury, Ontario, an independent producer and distributor of packaged ice in central Ontario.

During the first part of 2003, Ice Perfection Systems Inc. signed franchise agreements with three additional companies as follows:

- Creed Ice Co., Inc. of Rutland, Vermont, a large independent packaged ice company in the northeastern United States servicing markets in Vermont, New Hampshire, Massachusetts and New York;
- Getchell Bros. Inc. of Brewer, Maine, a large independent packaged ice company in the northeastern United States servicing Maine and other parts of New England; and,
- Giocondo Brothers Ice Services Inc. of Kansas City, Missouri, a leading independent packaged ice company that manufactures and distributes ice throughout the Kansas City metropolitan and surrounding area.

National and regional service agreements, whereby AGI administers the customer's packaged ice program, are one of the cornerstones of AGI's franchising program. In addition to a recognized brand name, AGI can provide a franchisee with a territory that will include all of AGI's national and regional accounts administered under these service agreements.

AGI believes that the franchising program provides a means of increasing brand awareness for AGI while providing a financial return on the "Arctic Glacier®" brand name. AGI believes that the wider geographic market created by the franchising program will allow AGI to provide better service to its growing number of national accounts.

Products

The primary product produced by AGI is packaged ice. Packaged ice for human consumption is sold by AGI in various package sizes ranging from 2 kilogram to 20 kilogram packages. Packaged ice products are also supplied to a variety of commercial users including bakeries and meat processors. AGI also produces ice in bulk containers sold primarily to poultry processors, the commercial fishing industry, chemical plants and concrete plants. Revenue from packaged ice products represented more than 90% of total annual revenue in each of the 2003, 2002 and 2001 fiscal years.

AGI markets other ancillary products such as bottled water, dry ice, packaged wood, rock salt and sales and leasing of ice-making and dispensing equipment in certain regions. Revenue from these ancillary products represented less than 10% of total annual revenue in each of the 2003, 2002 and 2001 fiscal years.

Production Process

AGI uses municipal water that it filters at its production facilities prior to producing its ice products. In addition to micro filtration, AGI has installed ultra violet filtration to kill any micro-organisms which may have survived municipal water treatment.

At its Winnipeg, Calgary, Mississauga, Chatham, Montreal, Wichita and Stroudsburg facilities, AGI produces plate ice using “turbo” ice manufacturing equipment. Plate ice is frozen in sheets on vertical plates by applying refrigerant to the interior surface of the plate. During the freezing process impurities are further reduced. Once the freezing cycle has been completed and a sheet of ice is formed, hot gas is introduced into the system allowing the sheet of ice to drop into a breaker bar system. The sheet of ice is broken into smaller pieces and then augured into a central refrigerated holding bin called a rake bin. The ice is augured over a shaker system to remove snow and very small pieces and then passes through a screening system that separates the ice according to size. The ice is then processed through packaging machines, packaged, palletized and stored in AGI’s cold storage facilities.

The production facilities in Surrey, Edmonton, Regina, Lubbock, Ames, Omaha, Fridley, West St. Paul, Marshall, Dubuque, Mamaroneck, Hatfield, Twin Oaks and Wilmington use the tube ice method of making ice. Ice is frozen inside vertical stainless steel tubes. Direct application of the refrigerant to the outside surface of the tube results in fast and energy efficient production of ice. The circulation of the water during the freezing process further reduces impurities producing a clear and taste-free ice. Water is circulated over the inner surface of the tubes and ice forms. This action is continued until ice of the desired thickness is formed. At the start of the thawing process, hot gas is introduced into the system area releasing the ice, which falls onto a motor driven cutter plate. The ice is then augured into a rake bin and to the packaging machines where it is packaged and palletized.

All supplies for the manufacture, processing, packaging and distribution of ice products are purchased from non-associated companies. With the exception of utilities services, all other supplies are available from a wide range of suppliers.

Distribution

AGI owns approximately 30,000 merchandising freezer units situated at various customer locations. The merchandising units vary in size from 15 cubic feet to 100 cubic feet. The merchandising unit is sized according to the service requirements of the individual location. Ice products are delivered using refrigerated vehicles. AGI owns approximately 250 such vehicles and has long-term leases on a further 100 vehicles. AGI leases additional vehicles during the summer months on short-term leases.

Approximately 80% of AGI’s sales are done on a scheduled delivery basis. A large percentage of gasoline service outlets, grocery stores and convenience stores are serviced in this manner, whereby AGI’s delivery personnel visit all customers on a particular route and fill customer requirements on a twice per week, once per week, or once every other week basis depending on individual customer requirements. The delivery person issues an invoice at the time the delivery is completed.

Approximately 10% of ice sales by AGI represent wholesale warehouse business. These customers distribute AGI’s products from their central warehouses to their own retail locations as well as to other independent grocery retailers. Approximately 60% of the wholesale warehouse business is delivered by AGI to customer warehouses, with the balance picked up by the customer at AGI’s facilities.

The remaining 10% of ice sales by AGI are sold to a variety of commercial and industrial users that include restaurants, bakeries, meat and poultry processors, fisheries, chemical plants, tanneries and concrete plants.

During fiscal 2000, AGI completed development of an in-store ice production system known as the “Ice Perfection System®”, with the first placement of the “Ice Perfection System®” taking place in the first quarter of 2001. This system produces, packages and merchandises packaged ice, all at the point of sale. The system features an internal diagnostic program, current status reporting program and remote sensing

capabilities that allow production and maintenance to be monitored from a central location. AGI management believes the technology is suitable for high volume retailers and for retailers located outside AGI's existing distribution network. Management of AGI believes the "Ice Perfection System®" is complementary to AGI's strategy of marketing premium quality ice since it allows AGI to provide quality packaged ice in retail locations where demand is high and where direct-to-store delivery service in outlying areas is impractical for either AGI or the retailer. AGI does not anticipate this segment of its product line to expand dramatically in the foreseeable future but believes the capacity to offer this product is necessary in order to allow it to provide a full range of product alternatives to its customers, particularly national and regional accounts.

Facilities and Operations

Table #1 provides a summary of AGI's production facilities:

Table #1

<u>City</u>	<u>State/Province</u>	<u>Area (Sq. Ft.)</u>	<u>Owned / Leased</u>
Surrey.....	British Columbia	12,000	Leased
Calgary.....	Alberta	9,000	Owned
Edmonton.....	Alberta	13,500	Owned
Winnipeg.....	Manitoba	17,000 ⁽¹⁾	Owned
Regina.....	Saskatchewan	4,000	Leased
Chatham.....	Ontario	26,900	Owned
Mississauga.....	Ontario	21,459	Owned
Montreal.....	Quebec	56,873 ⁽²⁾	Owned
West St. Paul.....	Minnesota	33,320	Owned
Fridley.....	Minnesota	15,000	Leased
Marshall.....	Minnesota	10,500	Owned
Ames.....	Iowa	10,700	Owned
Dubuque.....	Iowa	10,100	Owned
Omaha.....	Nebraska	12,000	Owned
Wichita.....	Kansas	12,181	Owned
Lubbock.....	Texas	36,130	Owned
Mamaroneck.....	New York	51,000	Leased
Kiamesha Lake.....	New York	27,000	Leased
Hatfield.....	Pennsylvania	23,000	Leased
Twin Oaks.....	Pennsylvania	22,650	Owned
Stroudsburg.....	Pennsylvania	6,000	Leased
Wilmington.....	Delaware	12,000	Leased

Notes:

- (1) Includes Corporate Offices of approximately 4,000 sq. ft.
- (2) Comprised of two buildings of 27,239 and 29,634 sq. ft.

Table #2 provides a summary of each of AGI's distribution facilities:

Table #2

<u>City</u>	<u>State/Province</u>	<u>Area (Sq. Ft.)</u>	<u>Owned/Leased</u>
Fort Macleod	Alberta	2,000	Owned
Barrie	Ontario	10,000	Owned
Hamilton	Ontario	6,400	Owned
Ottawa	Ontario	7,795	Leased
Sauble Beach	Ontario	1,100	Leased
Brainerd	Minnesota	5,000	Leased
Rochester	Minnesota	5,230	Leased
St. Cloud	Minnesota	2,000	Leased
Lacrosse	Wisconsin	1,000	Leased
Fargo	North Dakota	8,749	Leased
Bismarck	North Dakota	2,006	Leased
Aberdeen	South Dakota	4,000	Leased
Sioux Falls	South Dakota	3,000	Leased
Grand Island	Nebraska	9,200	Leased
Lincoln	Nebraska	9,912	Owned
Norfolk	Nebraska	4,000	Leased
North Platte	Nebraska	3,515	Leased
Ogallala	Nebraska	1,500	Leased
Gering	Nebraska	1,100	Leased
Davenport	Iowa	1,500	Leased
Des Moines	Iowa	5,000	Leased
Cedar Rapids	Iowa	3,500	Leased
Mason City	Iowa	16,393	Owned
Osceola	Iowa	2,000	Leased
Storm Lake	Iowa	2,000	Owned
Independence	Kansas	2,200	Leased
Salina	Kansas	10,500	Owned
Amarillo	Texas	30,054	Owned
Comanche	Texas	7,000	Leased
Midland	Texas	7,000	Leased
San Angelo	Texas	3,000	Leased
Bronx	New York	10,000	Leased
Newburgh	New York	13,000	Leased
Raritan	New Jersey	8,000	Leased

Customers

Approximately 70% of AGI's revenues are generated in the United States, while the remaining 30% are generated in Canada. AGI services more than 40,000 customer locations. AGI's largest customer accounts for approximately 3% of sales derived from hundreds of locations throughout multiple states and provinces. In aggregate, AGI's 20 largest customers account for less than 29% of sales derived from thousands of locations throughout multiple states and provinces. AGI's customers include most national and regional grocery chains, convenience store chains and gasoline outlets in Canada and the central United States.

Approximately 90% of AGI's sales are made to retail stores, equally split between supermarket grocery stores and convenience stores including gas stations. AGI services most regional and national retail supermarket and convenience store chains located within its market areas.

Approximately 10% of AGI's sales are made to commercial and industrial customers that include restaurants, bakeries, meat and poultry processors, fisheries, chemical plants, tanneries and concrete plants.

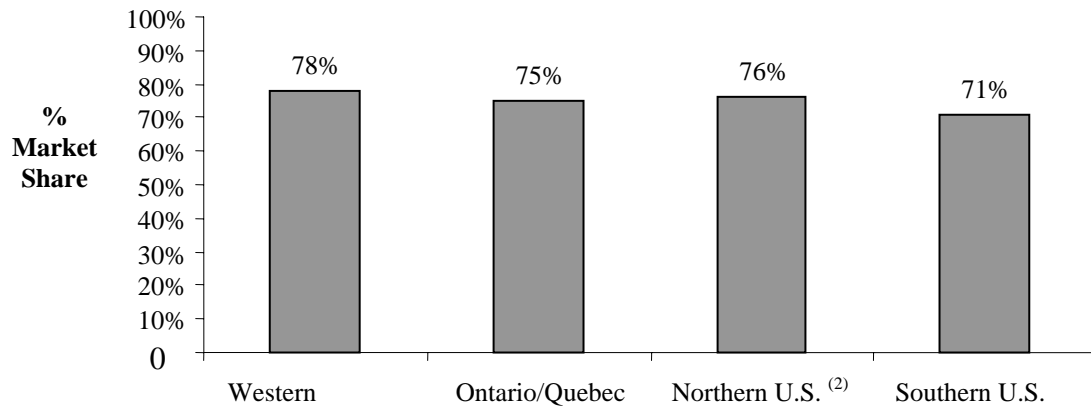
Suppliers

AGI uses significant amounts of electricity and water in the production of its products. Suppliers of these inputs are generally regulated utilities and, as a result, supply has been reliable and prices have been relatively stable. AGI also uses a significant amount of diesel fuel to operate its distribution fleet and is subject to fluctuations in the price of the underlying commodity, oil. During extended periods of high oil prices, AGI has historically instituted fuel surcharges or price increases. With the exception of utility services, all other supplies are available from a wide range of suppliers.

Competition

Management of AGI believes that AGI is the leading manufacturer and distributor of packaged ice in each of the markets in which it operates (see Figure 1 below). AGI's principal markets in Canada are Quebec, Southern Ontario, Manitoba, Southern Saskatchewan, Alberta and the lower mainland of British Columbia. In the United States AGI's principal markets are North and South Dakota, Minnesota, western Wisconsin, Iowa, Nebraska, Kansas, West Texas, southern and eastern Pennsylvania, southern and western New Jersey, northern Delaware, northeastern Maryland and New York City. Customers in many additional communities in Canada and the central United States that are not serviced on a direct delivery basis purchase packaged ice produced by AGI through an alternate distribution network.

In all its markets, AGI competes with smaller local competitors that typically are less able to service larger regional and national accounts. These smaller producers tend to compete for large independent local business, generally on the basis of price. AGI's economies of scale and brand development enable AGI to reduce the impact of competitive pressure from smaller producers. Management believes that there are five other large producers of packaged ice in the United States with annual revenue in excess of US \$20 million each. In some cases, AGI services markets that are adjacent to markets serviced by these large producers but, in general, does not compete directly with these companies. In addition, certain of these large producers compete with AGI for the administration of national ice programs of certain large U.S. based national retailers.

Figure 1: Arctic Market Share by Geographic Region ⁽¹⁾

Notes:

- (1) Management estimate of current market share.
- (2) North and South Dakota, Minnesota, western Wisconsin, Nebraska and Iowa.
- (3) Kansas and western Texas.

Competitive Advantages

Management of AGI estimates that there are over 2,000 companies involved in the ice production and distribution industry in North America, 90% of which have sales of less than US \$1,000,000 per annum. Management further believes that AGI's significantly larger size and leading position in the markets in which it operates provides AGI with significant competitive advantages when compared to other industry participants. Advantages include:

Experienced Management Team

AGI has a strong and experienced management team. The AGI senior management team has collectively over 100 years of industry experience. In aggregate, regional management has over 150 years of experience in the packaged ice industry. Production, distribution and sales management personnel each have on average over ten years industry experience in the packaged ice industry.

Economies of Scale

AGI's leading position in its chosen markets has established customer density resulting in reduced distribution costs. The rationalization of markets has enabled AGI to operate larger production facilities and take advantage of reduced operating costs resulting from implementation of best practices, utilization of sophisticated packaging equipment and reduced labour costs. AGI has centralized administrative functions and has invested significantly in an integrated computerized hand-held routing and billing system in order to reduce administrative costs.

Financial Strength

AGI has demonstrated year-over-year improvement in revenues and EBITDA margins with consistently strong operating cash flow. Management of AGI believes that its financial strength will enable AGI to continue to expand its market presence.

Strong Industry Position

AGI is the largest producer of packaged ice in Canada and is among the largest producers of packaged ice in the United States. AGI is the largest producer and distributor of packaged ice in all of the regional markets in which it operates.

Production and Distribution Network

AGI's multiple production and distribution facilities enable it to provide reliable supply to its customers. During periods of increased demand, AGI can easily transfer its branded product from one market area to another. In addition, AGI has invested in a sophisticated hand-held routing and billing system that allows for efficient scheduling of deliveries, thereby reducing distribution costs and eliminating customer inventory shortages while at the same time reducing accounting and administrative costs.

Seasonality

The packaged ice industry is a seasonal business with a high proportion of sales occurring during the second and third quarter of the calendar year. AGI's Canadian and northern United States business is more seasonal than AGI's operations in the southern United States. Over the past three years, AGI has generated an average of approximately 77% of its annual revenue during the period of April 1 to September 30.

Sales and Marketing

AGI employs regional sales staff in each of the markets it services to solicit business from independent retailers, chains and commercial accounts.

At the national level, a group of senior marketing executives service large convenience store and supermarket chains. These executives seek to negotiate national or regional service agreements for AGI to be the exclusive supplier of packaged ice, even in areas where AGI does not operate itself. Under these national or regional service agreements, AGI appoints local companies to service stores outside of AGI's service reach.

Capital Expenditures

AGI made significant capital investments of \$38 million since May 1, 1997, comprised of approximately \$19 million for improving product quality, upgrading facilities, rationalizing operations, expanding market area and assimilating newly acquired operations, approximately \$4 million for corporate infrastructure and technology expenditures and \$15 million for maintenance capital expenditures to maintain production and distribution capacity. As a result of these expenditures, AGI increased margins by over 30% between 1998 and 2003 and has dramatically increased operating efficiencies and internal controls.

The majority of the investment and capital expenditures required to rationalize operations acquired previous to 2003 has already been incurred, as evidenced by the substantial decrease in rationalization capital expenditures in 2001 and 2002. Investment in rationalization is expected to increase in 2004 as a result of the recent acquisition program.

As a percent of revenue, capital expenditures totaled 8.5% in 2003, comprised of 2.9% for maintenance capital expenditures, and 5.6% for expenditures related primarily to growth.

AGI management estimates annual sustaining capital expenditures should approximate 4% of annual sales. This amount represents capital expenditures required to maintain AGI's infrastructure along with investment

in strategic improvements to production and distribution infrastructure. Government regulations or unforeseen projects may cause variations in any given fiscal period.

Figure 2: Historical Capital Expenditures⁽¹⁾

	<u>1998</u> <u>(8 months)</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Strategic and growth expenditures ⁽²⁾	\$600,000	\$1,250,000	\$2,250,000	\$75,000	\$181,000	\$5,228,000
Rationalization ⁽³⁾	1,275,000	4,850,000	2,375,000	700,000	-	-
Corporate infrastructure and technology ⁽⁴⁾	225,000	750,000	2,000,000	125,000	596,000	241,000
Maintenance expenditures...	<u>1,817,000</u>	<u>2,814,000</u>	<u>2,410,000</u>	<u>2,641,000</u>	<u>2,637,000</u>	<u>2,824,000</u>
Total	<u>\$3,917,000</u>	<u>\$9,664,000</u>	<u>\$9,035,000</u>	<u>\$3,541,000</u>	<u>\$3,414,000</u>	<u>\$8,293,000</u>

Notes:

- (1) Net of proceeds from the disposals of equipment and real estate.
- (2) Includes improvements in packaging, water treatment and product drying equipment, expansion of market areas, and additional costs associated with larger acquisitions including rebranding and hand-held billing terminals.
- (3) Includes the cost of building new facilities and upgrading or expanding existing facilities to provide sufficient capacity to allow AGI to close redundant or less efficient facilities.
- (4) Primarily represents investment in the computerized hand-held routing and billing system, as well as building expansions and investments in accounting software to facilitate the centralization of accounting at AGI's corporate offices in Winnipeg, Manitoba and West St. Paul, Minnesota.

Trademarks

The name "Arctic Glacier®" and the phrase "Ice Perfection System®" are registered trademarks of AGI in Canada and the United States. AGI has also submitted a trademark application in Canada and the United States for the trademark "Viva Flam".

Government Regulation

The packaged ice industry is subject to various federal, provincial, state and municipal laws and regulations. These laws require, among other things, that AGI obtain licenses for its facilities and comply with standards for quality control within its plants. AGI's products are also subject to various federal, provincial, state and local regulations as a food product. These regulations, among other things, require regular testing of the product for microbial contamination and labeling that provides package weight, nutritional content and other information. AGI believes that its facilities meet or exceed all existing regulations. Although the most stringent jurisdictions require less frequent testing, AGI's products are tested for microbial contamination on a weekly basis by independent third parties. In addition, the International Packaged Ice Association has published a set of quality control standards with which its members must comply. These standards, known as PIQCS (Packaged Ice Quality Control Standards) require monthly testing for microbial contamination.

While there can be no assurance about what measures may be enacted by governmental bodies in the future, there has been a trend toward greater regulation of product quality standards for packaged ice. Packaged ice has become increasingly viewed by government regulators as a food product, rather than as a refrigerant. Such changes may in the future require AGI to make investments in equipment or enhanced process standards.

Environmental Matters

Commercial ice manufacturing equipment utilizes various hazardous chemicals as refrigerants. These refrigerants, including Freon and ammonia, are subject to various federal, provincial, state and local regulations. These substances are dangerous if released in significant quantities, can cause explosions if exposed to flame and can cause asphyxiation in an enclosed area. In the event of a release however, the gases quickly dissipate with ventilation and do not generally cause long-term contamination.

AGI believes that its facilities meet or exceed current environmental regulations. AGI has and will continue to invest in control and warning systems that will assist in the event of a release of these chemicals. Government regulation is likely to continue to become more stringent. AGI believes that its investments to date position it to comply with enhanced future regulation.

AGI conducted Phase 1 environmental assessments on production facilities that it has acquired. These assessments were conducted in order to identify any actual or potential environmental contaminants that existed as a result of current or past activities at these properties.

DESCRIPTION OF THE FUND

General

The Fund is an unincorporated open-ended mutual fund trust established under the laws of the Province of Alberta and created pursuant to the Declaration of Trust. The Fund is administered by a board of trustees (the "Trustees"). The principal and head office of the Fund is located at 625 Henry Avenue, Winnipeg, Manitoba R3A 0V1.

The Fund is a limited purpose trust and is restricted to the following activities, provided that such activity does not result in; (i) the Fund not being considered either a "unit trust" or a "mutual fund trust" for purposes of the Tax Act; or (ii) the Units being considered "foreign property" (or the Fund becoming obligated to pay a tax in respect of its holdings of "foreign property") for the purposes of the Tax Act:

- (a) investing in such securities as may be approved from time to time by the Trustees including the Common Shares and the Subordinated Notes and any other securities of AGI and otherwise lending funds to AGI and its affiliates and borrowing funds for any such purpose;
- (b) issuing guarantees of the obligations and indebtedness of any of its Subsidiaries or affiliates and charging, pledging, hypothecating or granting any security interest, mortgage or encumbrance over or with respect to any or all of the Fund's property or assets in connection with any such guarantee;
- (c) disposing of any part of the assets of the Fund;
- (d) temporarily holding cash, short term investments and other investments for the purpose of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units and making distributions to Unitholders; and
- (e) undertaking such other activities as shall be approved by the Trustees from time to time.

To the maximum extent possible, the Fund will make cash distributions to Unitholders of the interest income or principal repayments received in respect of the Subordinated Notes, dividends and other distributions

received on, and amounts if any, received on redemption of Common Shares, after expenses and any cash redemptions of Units. See “Description of the Fund — Cash Distributions”.

Units

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit represents an equal fractional undivided beneficial interest in any distributions from the Fund and in any net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. Each Unit is transferable, entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of the Fund and distributions on liquidation, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of Unitholders for each Unit held.

The Units do not represent a traditional investment and should not be viewed by investors as “shares” in either AGI or the Fund. As holders of Units in the Fund, the Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The price per Unit is a function of anticipated distributable income from AGI and the combined ability of the Trustees to affect long term growth in the value of the Fund. The market price of the Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, the distributions generated by AGI and the ability of the Fund to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Units.

The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder’s share of the Fund’s assets. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any cost, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having such limited liability.

The Declaration of Trust provides that the Trustees and the Trust will make reasonable efforts to include a provision in all written instruments signed by or on behalf of the Fund to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of the Fund to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Fund (to the extent that claims are not satisfied by the Fund) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Unitholders of this nature arising is considered unlikely in view of counsel to the Fund and the fact that the primary activity of the Fund is to hold securities, and all of the operations will be carried on by AGI, directly or indirectly.

The activities of the Fund and its wholly-owned subsidiary, AGI, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against the Fund including by obtaining appropriate insurance, where available, for

the operations of AGI and having written agreements signed by or on behalf of the Fund include a provision that such obligations are not binding upon Unitholders personally.

Issuance of Units

The Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. At the option of the Trustees, Units may be issued in satisfaction of any distribution of the Fund to Unitholders on a pro rata basis to the extent the Fund does not have available cash to fund such distributions. The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld. In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Cash Distributions

The amount of cash to be distributed per Unit shall be equal to a pro rata share of all amounts received by the Fund in each month including, without limitation, interest and principal payments on the Subordinated Notes and dividends or other distributions on or in respect of Common Shares owned by the Fund less: (i) administrative expenses and other obligations of the Fund; and (ii) amounts which may be paid by the Fund in connection with any cash redemptions of Units. AGI may apply some or all of its cash flow to capital expenditures prior to making any distributions to the Fund in the form of principal repayments on the Subordinated Notes or dividends or other distributions on the Common Shares. Any income of the Fund that is applied to any such cash redemptions of Units or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Fund derives interest income from its holdings of Subordinated Notes. The Subordinated Notes bear interest at 12% per annum, payable monthly, and mature March 22, 2012, subject to prepayment under limited circumstances as determined by the Board of Directors and subject to extension for an additional ten year term with the consent of the holders of the Subordinated Notes by Extraordinary Resolution. It is expected that the Fund's income will be limited to: (i) the interest received on the principal amount of Subordinated Notes; and (ii) dividends, if any, received on Common Shares. See "Share and Loan Capital of AGI - Subordinated Notes".

The Trustees intend to continue to make monthly cash distributions. A cash distribution for the period from March 22, 2002 to April 30, 2002 to Unitholders of record on April 30, 2002 was made on May 15, 2002. Thereafter, cash distributions have been made monthly to the Unitholders of record on the last day of each month (unless such day is not a Business Day, in which case the date of record has been the immediately preceding Business Day) and have been paid on the 15th day of the following month or, if such day is not a Business Day, the immediately preceding Business Day or such other date as determined from time to time by the Trustees. The Trustees expect to continue to make monthly cash distributions on the same basis.

Redemption Right

Units are redeemable at any time on demand by the holders thereof. A Unitholder who holds Units in the name of an investment dealer and who wishes to exercise the redemption right will be required to obtain a

redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to CDS. Upon receipt of the redemption request by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten trading day period commencing immediately after the date on which the Units are surrendered for redemption (the "Redemption Date"); and (ii) the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Units for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the market price shall be the weighted average of the following prices established for each of the ten trading days: the weighted average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the weighted average of the last bid and last ask prices if there was no trading on the date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on or before the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000 (provided that the Trustees may, in their sole discretion, waive such limitation in respect of any calendar month); (ii) at the time such Units are tendered for redemption the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on any other market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for such Units shall be the fair market value thereof, as determined by the Trustees in the circumstances described in subparagraphs (ii) and (iii) above, and shall, subject to any applicable regulatory approvals, be paid and satisfied by way of distribution in specie of a pro rata number of securities of AGI held by the Fund. No fractional Common Shares or Subordinated Notes in integral multiples of less than \$100 will be distributed and where the number of securities of AGI includes a fraction or a multiple of less than \$100, such number shall be rounded to the next lowest whole number or integral of \$100. The Fund shall be entitled to all interest paid or accrued and unpaid on the Subordinated Notes and distributions paid on the Common Shares on or before the date of the distribution in specie. Where the Fund makes a distribution in specie of a pro rata number of securities of AGI on the redemption of Units of a

Unitholder, the Fund currently intends to designate to that Unitholder any capital gain realized by the Fund as a result of the distribution of such securities to the Unitholder.

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to dispose of their Units. Subordinated Notes or Common Shares which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such Subordinated Notes or Common Shares and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Holders of Subordinated Notes will be required to acknowledge that they are subject to the subordination agreements described under the heading “Share and Loan Capital of AGI — Subordinated Notes”. Subordinated Notes and Common Shares may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans.

Limitations on Non-Resident Unitholders

Certain provisions of the Tax Act require that the Fund not be established nor maintained primarily for the benefit of Non-Residents. Accordingly, in order to comply with such provisions, the Declaration of Trust contains restrictions on the ownership of Units by Unitholders who are Non-Residents. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 45% of the Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Fund’s Transfer Agent may issue a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the Trustees determine that a majority of the Units are held by Non-Residents, the Fund’s Transfer Agent may send a notice to Non-Resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Fund’s Transfer Agent may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Fund’s Transfer Agent with satisfactory evidence that they are not Non-Residents within such period, the Fund’s Transfer Agent may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders shall cease to be holders of Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Units.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders must be called and held for, among other matters, the election or removal of Trustees (except filling casual vacancies), the appointment or removal of the auditors of the Fund, the approval of amendments to the Declaration of Trust (except as described under “Amendments to the Declaration of Trust”), the sale of the assets of the Fund as an entirety or substantially as an entirety (other than as part of an internal reorganization), the termination of the Fund and the direction of the Trustees as to the election of the directors of AGI. Meetings of Unitholders will be called and held annually for, among other things, the election of the Trustees, the appointment of auditors of the Fund and the direction of the Trustees as to the election of the directors of AGI. A resolution appointing or removing a Trustee, the auditors of the Fund or the direction of the Trustees as to the election of the directors of AGI must be passed by a simple majority of the votes cast by Unitholders. The balance of the foregoing matters must be passed by at least $66\frac{2}{3}\%$ of the votes cast at a meeting of Unitholders called for such purpose.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written

requisition. A requisition must, among other things, state in reasonable detail the matters proposed to be dealt with at the meeting.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 5% of the votes attaching to all outstanding Units shall constitute a quorum for the transaction of business at all such meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Information and Reports

The Fund will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) a proxy form and an information circular containing information similar to that required to be provided to shareholders of a Canadian public corporation.

AGI has undertaken to provide the Fund with:

- (a) a report of any material change which occurs in the affairs of AGI in form and content that it would file with the applicable regulatory authorities as if it were a reporting issuer under applicable securities laws and stock exchange requirements;
- (b) all financial statements that it would be required to file with the applicable regulatory authorities as if it were a reporting issuer under applicable securities laws; and
- (c) a copy of any other document that it would be required to file with the applicable regulatory authorities as if it were a reporting issuer under applicable securities laws and stock exchange requirements.

All such reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports, material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

Takeover Bids

The Declaration of Trust contains provisions to the effect that if a takeover bid is made for the Units and not less than 90% of the Units (other than Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the takeover bid on the terms offered by the offeror. Further, the Board of Trustees has approved the adoption of a Unitholder Rights Plan containing additional provisions affecting takeover bids. See "Description of the Fund – Unitholder Rights Plan".

Trustees

The Declaration of Trust establishes a board of trustees comprised of not more than nine nor less than three members. Trustees shall be reappointed or replaced every year as may be determined by a majority of the votes cast at an annual meeting of the Unitholders. The Declaration of Trust currently provides that persons who are Non-Residents are disqualified from being a Trustee. The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Trustees are responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of AGI; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities of the Fund; (iv) managing the affairs of the Fund; (v) voting in favour of the Fund's nominees to serve as directors of AGI; (vi) ensuring that the restrictions in the Declaration of Trust on Non-Resident ownership are met; and (vii) declaring distributions from the Fund to Unitholders.

A Trustee may resign upon written notice to the Fund and may be removed by a majority of the votes cast at a special meeting of the Unitholders and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the Trustees.

A quorum of the Trustees, being the greater of two Trustees or a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of the Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees shall forthwith call a special meeting of Unitholders to fill the vacancy. If the Trustees fail to call such meeting or if there are no Trustees then in office, any Unitholder may call the meeting.

The Declaration of Trust provides that the Trustees may, between annual meetings of the Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of the Unitholders, but the number of additional Trustees shall not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of the Unitholders.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Trustees shall be entitled to indemnification from the Fund in respect of the exercise of their powers and the discharge of their duties in the absence of breach of their duties and standard of care. The duties and standard of care of the Trustees provided in the Declaration of Trust are similar to those imposed on a director of a corporation.

Except as expressly prohibited by law, the Trustees may grant or delegate certain of the Trustees' authority to effect the actual administration of the duties of the Trustees under the Declaration of Trust. The Trustees may grant broad discretion to a third party to administer and manage the day-to-day operations of the Fund, and to make executive decisions which conform to the general policies and general principles set forth in the Declaration of Trust or otherwise established by the Trustees.

The Trustees are entitled to compensation for services rendered to the Fund in their capacities as trustees. All of the current Trustees are also directors of AGI. With the exception of the Non-Executive Chairman of the Board who receives \$120,000 per year, compensation for the Trustees/directors that are not employees of AGI is \$20,000 per year and \$2,000 per Trustee/director for attending Board of Trustees'/directors' meetings where combined with committee meetings or \$1,000 for attending committee meetings where not combined

with Board of Trustees'/directors' or committee meetings. Trustees/Directors are entitled to \$500 for attending Board of Trustees'/directors' meetings by telephone. Further, the Chairman of each committee of the Board receives an additional \$5,000 per year. The Trustees/directors are also entitled to be reimbursed for reasonable travel and other expenses properly incurred by them in attending meetings of the Trustees/directors or committees thereof in connection with their services as Trustees/directors. Trustees are also entitled to participate in the Fund's Unit Option Plan.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by at least 66²/₃% of the votes cast at a meeting of the Unitholders called for such purpose.

The Trustees may, without the approval of the Unitholders, amend the Declaration of Trust prior to the Effective Date and, in addition, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustees or over the Fund;
- (b) deemed necessary or advisable to ensure that the Fund has not been established nor maintained primarily for the benefit of Non-Residents;
- (c) which, in the opinion of the Trustees, provide additional protection for or benefit to the Unitholders;
- (d) to remove any conflicts or inconsistencies in the Declaration of Trust or making corrections, including the correction or rectification of any ambiguities, defective provisions, errors, mistakes or omissions, which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (e) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws; and
- (f) correcting errors or inconsistencies between the Declaration of Trust and the Material Contracts (as such term is defined in the Declaration of Trust) which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders.

Unit Option Plan

The Trustees have adopted a unit option plan (the "Unit Option Plan") to provide long-term incentives to develop the interests of (i) the independent Trustees and employees and advisors of the Fund and any Subsidiary of the Fund, and (ii) personal holding companies or family trusts of any persons referred to in (i), all as selected by the Trustees (collectively referred to as "Eligible Persons").

Pursuant to the Unit Option Plan, the Trustees may grant options to purchase Units ("Options") to Eligible Persons in respect of authorized and unissued Units, provided that the maximum number of Units issuable upon exercise of such Options may not exceed 1,565,000 Units. The number of Units issuable under the Unit Option Plan may be increased subject to any required regulatory and Unitholder approvals. The number of Options and the exercise price of the Units issuable upon exercise thereof is set by the Trustees at the time of the grant, provided that the exercise price shall not be less than the closing market price of the Units on the

day immediately preceding the date of the grant of the Options. Options granted under the Unit Option Plan may be exercised during a period not exceeding ten years, subject to earlier termination upon an optionee ceasing to be an Eligible Person or upon an optionee retiring, becoming permanently disabled or dying. The Options are non-transferable and non-assignable.

Distribution Reinvestment Plan

The Trustees have approved a Distribution Reinvestment and Optional Cash Purchase Plan (“DRIP”) that will permit eligible Unitholders to reinvest monthly distributions (each a “Distribution”) in additional Units. To the extent permitted by applicable law and regulatory rulings, a participating Unitholder (a “Plan Participant”) will also have the option to purchase Units with additional cash payments (each an “Optional Cash Payment”), provided that Optional Cash Payments by any Plan Participant shall not be less than \$1,000 per Distribution Date and not more than \$12,000 per calendar year. The price of Units issued under the DRIP will be based on the volume weighted average price for the sale of Units on the TSX during the ten days preceding the relevant Distribution Date (the “Market Price”). The Purchase Price of Units purchased with distributions under the Plan will be 95% of the Market Price. The Purchase Price of Units purchased with an Optional Cash Payment will be 100% of the Market Price. There will be no commissions or brokerage charges payable on the purchase of Units under the DRIP. All administrative costs of the DRIP will be borne by the Fund. Eligible Unitholders may participate by directing the broker, dealer or investment advisor holding their Units to notify the Plan Administrator, Computershare Trust Company of Canada Ltd., through the Canadian Depository for Securities Inc. (“CDS”). To participate in the DRIP for any particular Distribution, an eligible beneficial owner of Units on the record date for such Distribution (the “Record Date”), must notify CDS prior to its cut-off date, which is currently two days prior to the Record Date, of his or her intention to participate in the DRIP for the Distribution. Residents of Canada will be eligible to participate in the DRIP. At this time Non-Residents are not eligible. Subject to any relevant agreement governing the account in which Units are held, participation in the DRIP may be terminated at any time prior to the CDS cut-off date in respect of a Distribution. All reporting to the beneficial owner of transactions under the DRIP is provided by the broker, dealer or financial advisor.

Unitholder Rights Plan

The Board of Trustees approved the adoption of a Unitholder Rights Agreement as of April 21, 2003 (“Unitholder Rights Plan”). The Unitholder Rights Plan does not in any way alter the financial condition of the Fund or its current business plans.

Objectives of Unitholder Rights Plan

The primary objective of the Unitholder Rights Plan is to provide the Board with sufficient time to explore and develop alternatives for maximizing Unitholder value if a take-over bid is made for the Fund and to provide every Unitholder with an equal opportunity to participate in such a bid. The Unitholder Rights Plan encourages a potential acquiror to proceed either by way of Permitted Bid (as defined in the Unitholder Rights Plan and described briefly below), which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board.

While the Unitholder Rights Plan is intended to regulate certain aspects of take-over bids for the Fund, it is not intended to deter a *bona fide* attempt to acquire control of the Fund if the offer is made fairly. The Unitholder Rights Plan does not affect the duty of the Board to give due and proper consideration to any offer that is made and to act honestly, in good faith and in the best interests of the Fund and its Unitholders.

Terms of Unitholder Rights Plan

The following is a summary of the principal terms of the Unitholder Rights Plan. The summary is qualified in its entirety by the full text of the Unitholder Rights Plan. A Unitholder or any other interested party may obtain one or more copies of the Unitholder Rights Plan by contacting the Fund at 625 Henry Avenue, Winnipeg, Manitoba, R3A 0V1.

Description of Rights

The Rights are issued pursuant to the Unitholder Rights Plan between the Fund and Computershare Trust Company of Canada, as rights agent. Each right entitles the registered holder thereof to purchase from the Fund one Unit at the Exercise Price (as defined in the Unitholder Rights Plan), subject to adjustments, at any time after the Separation Time (as defined in the Unitholder Rights Plan and described below). Prior to the Separation Time, the Exercise Price will be three times the market price of a Unit. From and after the Separation Time, the Exercise Price will be three times the market price of a Unit as at the Separation Time. The Exercise Price is subject to adjustment in accordance with the Unitholder Rights Plan. If a Flip-in Event (as defined in the Unitholders Rights Plan and described below) occurs, each Right will entitle the holder to purchase from the Fund that number of Units as have an aggregate market price at the relevant time equal to twice the Exercise Price for an amount in cash equal to the Exercise Price. The Rights are not exercisable until the Separation Time.

Term

The Rights will expire at the close of business on the date of the Fund's annual meeting of Unitholders in 2006 (the "Expiration Time"), unless terminated at an earlier date by the Board.

Trading Rights

Until the Separation Time, the Rights will be evidenced by the outstanding certificates for Units and the Rights may be transferred with, and only with, the Units. Until the Separation Time (or earlier termination or expiration of the Rights), the surrender for transfer of a certificate representing Units will also constitute the transfer of the Rights associated with the Units represented by the certificate. As soon as practicable following the Separation Time, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of Units as of the close of business at the Separation Time and the separate Rights Certificates will thereafter evidence the Rights.

Separation Time

The Rights will separate and trade apart from the Units and become exercisable 10 business days (the "Separation Time"), following the earlier to occur of:

- (a) the first date of public announcement of facts indicating that a Person has become an Acquiring Person;
- (b) the date of commencement of, or first public announcement of the intention of any person (other than the Fund or any of its subsidiaries) to commence, a take-over bid (other than a Permitted Bid or Competing Permitted Bid, discussed below); and
- (c) the date upon which a Permitted Bid ceases to be such.

The Separation Time can also be such later time as may be determined by the Board.

Acquiring Person

In general, an “Acquiring Person” is a person who, at any time after the date of the Unitholder Rights Plan, is a beneficial owner of 20% or more of the outstanding Units of the Fund. A person who becomes a beneficial owner of more than 20% of the Units through certain enumerated types of transactions, however, is exempted from the definition. The principal exemptions are for Unit Reductions (generally, a repurchase of Units held by others which has the effect of increasing a person’s percentage ownership of the Fund), a Permitted Bid Acquisition (an acquisition of Units made pursuant to a Permitted Bid or Competing Permitted Bid, discussed below), an Exempt Acquisition (an acquisition prior to the Unitholder Rights Plan or exempted from the application of the Unitholder Rights Plan by the Board) and a Pro Rata Acquisition (generally, the acquisition of Units pursuant to a rights offering, a public offering or a private placement to the extent necessary to prevent dilution of the Person’s Unitholding), provided that the person does not, as a result, acquire a greater percentage of Units so offered than the percentage beneficially owned by such person before the acquisition.

Flip-in Event

A Flip-in Event occurs when any Person becomes an Acquiring Person. A Right will convert into the right to purchase, upon exercise, that number of Units as have an aggregate market price at the relevant time equal to twice the Exercise Price for an amount in cash equal to the Exercise Price. However, any Rights beneficially owned by an Acquiring Person (including such person’s associates and affiliates and persons with whom it is acting in concert) will be void. A Flip-in Event would not be caused by a Unit Reduction, a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition.

Permitted Bid and Competing Permitted Bid

The requirements of a Permitted Bid include the following:

- (a) the take-over bid is made to all holders of record of Units of the Fund, other than the bidder, on identical terms and conditions;
- (b) the take-over bid must not permit Units tendered pursuant to the take-over bid to be taken up or paid for (i) prior to the close of business on the date which is not less than 45 days following the date of the take-over bid and (ii) then only if at such date more than 50% of the then outstanding Units held by persons other than the bidder, any affiliate or associate of, or person acting jointly or in concert with, the bidder have been deposited or tendered to the take-over bid and not withdrawn;
- (c) if the requirement in (b) is met, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits and tenders of Units for not less than 10 days from the date of such public announcement.

The Unitholder Rights Plan allows for a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid in addition to other conditions.

Redemption

The Board may, at any time prior to the Separation Time, with the prior consent of the Unitholders, elect to redeem all but not less than all of the Rights at a redemption price of \$0.0001 per Right, subject to appropriate adjustment in certain events.

Waiver

The Board may, prior to the occurrence of a Flip-in Event, waive the application of the Unitholder Rights Plan to a particular Flip-in Event where the take-over bid is made by a take-over bid circular to all holders of Units or where an Acquiring Person became an Acquiring Person by inadvertence and without any intention to become an Acquiring Person. Where the Board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Fund made by a take-over bid circular to all holders of Units prior to the expiry of the first mentioned take-over bid.

Amendments

The Board may amend the Unitholder Rights Plan with the approval of a majority of the votes cast by holders of Units (or the holders of Rights if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The Board without such approval may correct clerical or typographical errors and may amend the Unitholder Rights Plan to maintain the validity of the Unitholder Rights Plan as a result of any change in applicable legislation, rules or regulations thereunder.

Protection Against Dilution

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution:

- (a) in the event of a subdivision, combination or reclassification of, the Units;
- (b) upon the grant to holders of Units of certain rights or warrants to subscribe for Units or convertible securities at less than the current market price of the Units; or
- (c) upon distribution to holders of Units of evidences of indebtedness, cash (other than regular periodic cash distributions or a distributions payable in Units) or rights or warrants.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a Take-over Bid.

Term of the Fund and Sale of Substantially All Assets

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth, alive on January 22, 2002. Pursuant to the Declaration of Trust, termination of the Fund or the sale or transfer of the assets of the Fund as an entirety or substantially as an entirety, except as part of an internal reorganization of the assets of the Fund as approved by the Board of Directors, requires approval by at least 66²/₃% of the votes cast at a meeting of the Unitholders.

Exercise of Voting Rights Attached to Common Shares

The Declaration of Trust provides that the Trustees of the Fund shall not, among other things, authorize:

- (a) any issue of shares in the capital of AGI other than to the Fund;
- (b) any disposition of all or substantially all of the assets of AGI, except in conjunction with an internal reorganization;
- (c) any amalgamation, arrangement or other merger with any other person, except in conjunction with an internal reorganization;
- (d) any material amendment to the Note Indenture, other than in contemplation of an issuance of further Units; or
- (e) any material amendment to the articles of AGI to change the authorized share capital in a manner that may be prejudicial to the Fund;

without the authorization of at least 66²/₃% of the votes cast at a meeting of the Unitholders called for such purpose.

SHARE AND LOAN CAPITAL OF AGI

AGI is authorized to issue an unlimited number of Common Shares. The Fund is the sole holder of the issued and outstanding Common Shares. The Fund is also the sole holder of the issued and outstanding Subordinated Notes.

Common Shares

Each Common Share entitles its holder to receive notice of and to attend all meetings of the shareholders of AGI and to one vote at such meetings. The holders of Common Shares are, at the discretion of the Board of Directors and subject to applicable legal restrictions, entitled to receive any dividends declared by the Board of Directors on the Common Shares. The holders of Common Shares are entitled to share equally in any distribution of the assets of AGI upon the liquidation, dissolution, bankruptcy or winding-up of AGI or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Such participation is subject to the rights, privileges, restrictions and conditions attaching to any instruments having priority over the Common Shares.

Subordinated Notes

The following is a summary of the material attributes and characteristics of the Subordinated Notes issued under the Note Indenture. This Summary is qualified entirely by reference to the provisions of the Note Indenture, which contains a complete statement of such attributes and characteristics. This summary does not purport to be complete.

Subordinated Notes Overview

An unlimited number of Subordinated Notes may be issued under the Note Indenture. The Subordinated Notes will mature 10 years from the effective date thereof subject to prepayment, under certain circumstances

as determined by the Board of Directors and subject to an extension for an additional 10 year term with the consent of the holders of the Subordinated Notes by Extraordinary Resolution. The Subordinated Notes will bear interest at a rate per annum of 12%, payable monthly on the last Business Day of the month for interest earned during the preceding month. The first interest payment was paid on April 30, 2002. The principal and interest on the Subordinated Notes is payable in lawful money of Canada. The Subordinated Notes are issuable only as fully registered Subordinated Notes in minimum denominations of \$100 and integral multiples thereof.

Payment upon Maturity

On maturity and subject to any applicable subordination restrictions, AGI will repay the indebtedness represented by the Subordinated Notes by paying to the Note Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Subordinated Notes, together with accrued and unpaid interest thereon.

Redemption

From time to time the Board of Directors will review the status of its assets and those of its subsidiaries and the economic conditions relating to its business and the packaged ice industry in general. If this review, in the opinion of the Board of Directors, indicates that it is unlikely that the indebtedness of AGI evidenced by the Subordinated Notes could be refinanced on financially equivalent terms and conditions upon maturity of such Subordinated Notes, then AGI may, subject to the consent of the Fund and the holders of the Subordinated Notes by Extraordinary Resolution and subject to any subordination obligation, commence principal repayments on the Subordinated Notes such that, in the opinion of the Board of Directors, the Subordinated Notes will be fully repaid upon maturity. In that event, the available after-tax cash of AGI will be utilized to the extent required to fund such repayments in lieu of distributions on the Common Shares. In addition, if AGI has available cash, but is prohibited from declaring or paying a dividend or reducing its stated capital under applicable laws, the Board of Directors may make principal repayments on the Subordinated Notes to the extent of such available cash.

Ranking

Payment of the principal and interest (other than regularly scheduled interest and principal at maturity, provided no default on Senior Indebtedness (as herein defined) has occurred and payment of such interest or principal is not otherwise required to be suspended in accordance with the terms of subordination agreements which may be entered into with the holders of Senior Indebtedness) on the Subordinated Notes will be subordinated in right of payment, as set forth in the Note Indenture, to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all Senior Indebtedness. "Senior Indebtedness" is defined as (a) all indebtedness, obligations and liabilities of AGI in respect of borrowed money (including the deferred purchase price of property), other than (i) indebtedness evidenced by the Note Indenture and (ii) indebtedness which, by the terms of the instrument creating or evidencing the same, is expressed to rank in right of payment equally with or subordinate to the indebtedness evidenced by the Note Indenture, and (b) from and after the commencement of, and during the continuance of, any creditor proceedings (including bankruptcy, liquidation, winding-up, dissolution, restructuring or arrangement proceedings), all indebtedness, obligations and liabilities of AGI, other than indebtedness, obligations and liabilities of AGI represented by the Subordinated Notes. The Note Indenture provides that in the event of any creditor proceedings relative to AGI, the holders of all Senior Indebtedness, which would include bank debt and suppliers of AGI, will be entitled to receive payment in full before the holders of the Subordinated Notes are entitled to receive any payment. Any amount of property received contrary to these provisions shall be held in trust for and paid over to the holders of Senior Indebtedness.

In the event of any creditor proceedings, the indebtedness represented by the Subordinated Notes is not to be classified with any Senior Indebtedness for voting or distribution, which means that holders of Senior Indebtedness will vote separately from the holders of Subordinated Notes in respect of any restructuring or arrangement proposal regarding AGI.

Subordination Agreements

Pursuant to the terms of the Note Indenture, the Note Trustee may enter into subordination agreements with the holders of certain Senior Indebtedness under which the Note Trustee on behalf of the holders of Subordinated Notes may agree directly with a holder of Senior Indebtedness in implementation of and/or in addition to the subordination terms described under “Ranking”. The Note Trustee may give a holder of Senior Indebtedness a power of attorney to be exercised in any creditor proceedings to enforce the terms thereof. The Note Trustee may also agree to ensure any transferee of Subordinated Notes (or other securities of AGI) agrees to be bound by the provisions of the subordination agreements.

SELECTED CONSOLIDATED ANNUAL FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information of the Fund.

	December 31, <u>2003</u>	December 31, <u>2002</u>	December 31, <u>2001</u>	December 31, <u>2000</u>	December 31, <u>1999</u>
	(audited)	(audited)	(audited)	(audited)	(audited)
Sales	\$97,170,000	\$91,719,000	\$91,388,000	\$82,114,000	\$74,257,000
EBITDA ⁽¹⁾	24,462,000	25,004,000	25,053,000	21,608,000	19,015,000
Net earnings (loss)	10,764,000	9,227,000	(4,818,000)	(2,885,000)	(949,000)
Basic earnings (loss) per unit ⁽²⁾⁽⁴⁾	0.59	0.67	(0.84)	(0.52)	(0.20)
Diluted earnings (loss) per unit ⁽³⁾⁽⁴⁾	0.59	0.66	(0.84)	(0.52)	(0.20)
Total assets	214,657,000	182,938,000	187,097,000	188,312,000	170,674,000
Total long term debt ⁽⁵⁾	32,045,000	54,322,000	123,284,000	120,766,000	104,547,000
Total distributions	19,744,000	12,761,000	-	-	-
Distributions per Unit	1.07	0.82	-	-	-

Notes:

- (1) EBITDA is not a recognized measure under Canadian generally accepted accounting principles (“GAAP”). AGI calculates EBITDA as earnings before interest, taxes, amortization, non-recurring expenses including acquisition integration charges, gains or losses on disposal of property, plant and equipment and operating assets and goodwill, and gains or losses on settlement of long-term debt totaling \$13,698,000, \$15,777,000, \$29,871,000, \$24,493,000, and \$19,964,000 for the years ended December 31, 2003, 2002, 2001, 2000 and 1999, respectively.
- (2) Basic net earnings (loss) per unit is computed by dividing the net earnings (loss) by the weighted average number of units outstanding during the period.
- (3) Diluted earnings (loss) per unit is calculated based on the weighted average number of units outstanding during the period, plus the effect of dilutive unit equivalents such as options and warrants. The diluted per unit amounts are calculated using the treasury stock method, as if all the unit equivalents where average market price exceeds issue price had been exercised at the beginning of the reporting period, or the period of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the Fund at the average trading price of the units during the period.
- (4) Historical figures adjusted to reflect the exchange of six common shares for one Fund unit on March 22, 2002.
- (5) Long term debt includes amounts as described in the Consolidated Financial Statements of the Fund.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets forth selected consolidated quarterly financial information of the Fund.

	<u>Quarter ended (Unaudited)</u>							
	<u>2003</u>				<u>2002</u>			
	<u>December 31</u>	<u>September 30</u>	<u>June 30</u>	<u>March 31</u>	<u>December 31</u>	<u>September 30</u>	<u>June 30</u>	<u>March 31</u>
Sales (\$)	15,740,000	48,219,000	25,615,000	7,596,000	11,416,000	44,598,000	27,171,000	8,534,000
EBITDA (\$) ⁽¹⁾	(647,000)	20,413,000	8,317,000	(3,621,000)	(471,000)	19,573,000	9,096,000	(3,194,000)
Net earnings (loss) (\$)	(1,288,000)	11,351,000	4,059,000	(3,358,000)	(2,183,000)	11,041,000	4,147,000	(3,778,000)
Basic earnings (loss) per unit ⁽²⁾⁽⁴⁾ (\$)	(0.06)	0.62	0.26	(0.21)	(0.14)	0.70	0.26	(0.54)
Diluted earnings (loss) per unit ⁽³⁾⁽⁴⁾ (\$)	(0.06)	0.62	0.26	(0.21)	(0.14)	0.70	0.26	(0.54)
Units outstanding ⁽⁴⁾⁽⁵⁾	23,275,000	18,310,000	18,310,000	15,660,000	15,660,000	15,660,000	15,657,000	15,651,000
Fully diluted units ⁽⁴⁾⁽⁵⁾	23,275,000	18,310,000	18,310,000	15,660,000	15,660,000	15,660,000	15,657,000	15,651,000

Notes:

- (1) EBITDA is not a recognized measure under Canadian GAAP. AGI calculates EBITDA as earnings before interest, taxes, amortization, non-recurring expenses including acquisition integration charges, gains or losses on disposal of property, plant and equipment and operating assets and goodwill, and gains or losses on settlement of long-term debt totaling \$641,000, \$9,062,000, \$4,258,000 and \$(263,000) for the quarters ended December 31, September 30, June 30 and March 31, 2003, respectively, and \$1,712,000, \$8,532,000, \$4,949,000 and \$584,000 for the quarters ended December 31, September 30, June 30 and March 31, 2002, respectively.
- (2) Basic net earnings (loss) per unit is computed by dividing the net earnings (loss) by the weighted average number of units outstanding during the period.
- (3) Diluted earnings (loss) per unit is calculated based on the weighted average number of units outstanding during the period, plus the effect of dilutive unit equivalents such as options and warrants. The diluted per unit amounts are calculated using the treasury stock method, as if all the unit equivalents where average market price exceeds issue price had been exercised at the beginning of the reporting period, or the period of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the Fund at the average trading price of the units during the period.
- (4) Historical figures adjusted to reflect the exchange of six common shares for one Fund unit on March 22, 2002.
- (5) Units outstanding and diluted units outstanding are as at the end of the respective quarters.
- (6) The data set out above is comparative in all material respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Management's discussion and analysis of the operating results for the year-ended December 31, 2003 is set forth under the heading "Management's Discussion and Analysis" on pages 20 to 32 of the Fund's 2003 Annual Report, which pages are incorporated herein by reference. A copy of that Annual Report may be obtained at www.sedar.com or by contacting the Fund as set out under the section of this Annual Information Form entitled "Additional Information".

RISK FACTORS

An investment in the Units involves a number of risks. In addition to the other information contained in this Annual Information Form, Unitholders should give careful consideration to the following factors:

Risks Relating to the Fund

Risk factors specific to an investment in the Units include, but are not limited to the following:

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Subordinated Notes or Common Shares which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such Subordinated Notes or Common Shares. Cash redemptions are subject to limitations. See “Description of The Fund — Redemption Right”.

Cash Distributions are Not Guaranteed and will Fluctuate with AGI's Performance

Although the Fund intends to distribute the interest and dividend income earned by the Fund and any returns of capital on the Common Shares, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by AGI and therefore funds available to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditures.

Dependence Upon AGI

The Fund is an unincorporated open-ended, mutual fund trust which will be entirely dependent upon the operations and assets of AGI through the Fund's ownership of the Subordinated Notes and Common Shares of AGI. Accordingly, the Fund's ability to make cash distributions to the Unitholders will be dependent upon the ability of AGI to pay its interest obligations under the Subordinated Notes and to declare any dividends or other return of capital in respect of the Common Shares which ability is, in turn, dependent upon the operations and assets of AGI and its direct and indirect subsidiaries.

Income Tax Matters

The Fund will endeavour to ensure that the Units continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered education savings plans and registered retirement income funds. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, there may be material and adverse income tax considerations. In particular, the Units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered education savings plans and registered retirement income funds. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and there is no assurance that the conditions prescribed for such qualified investments will be adhered to at any particular time. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of the Units.

Further, interest on the Subordinated Notes accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's taxable income. Where interest on the Subordinated Notes has accrued but has not been paid in whole or in part and the Fund is unable to make a cash distribution, the Declaration of Trust provides that additional Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market

value of those Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

Nature of Units

The Units do not represent a traditional investment and should not be viewed as “shares” in either the Fund or AGI. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring “oppression” or “derivative” actions. The Units represent a fractional interest in the Fund. The Fund’s primary assets will be the Subordinated Notes and the Common Shares. **The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporations Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.**

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute the Common Shares and Subordinated Notes directly to the Unitholders, subject to obtaining any required regulatory approvals. Common Shares and Subordinated Notes so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its assets or obligations and that in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder’s share of the Fund’s assets. The Declaration of Trust further provides that the Trustees and the Fund shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Fund, or the Trustees on behalf of the Fund, a contractual provision to the effect that neither the Unitholders nor the Trustees have any personal liability or obligations in respect thereof.

The operations of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability on the Unitholders for claims against the Fund. Despite the foregoing, there are risks that ownership of Units could expand beyond Fund assets and that liability could attach to Unitholders.

Capital Investment

The timing and amount of capital expenditures will directly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

The Fund May Issue Additional Units Diluting Existing Unitholders’ Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for the consideration and on those terms and conditions as are established by the Trustees without the approval of any Unitholders.

Restrictions on Potential Growth

The payout by AGI of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of AGI and its cash flow.

Risks Relating to AGI

Risk factors specific to AGI include, but are not limited to, the following:

Fluctuations in Operating Results and Seasonality

AGI's operating results have been and are expected to continue to be subject to quarterly and other fluctuations due to a variety of factors including changes in purchasing patterns, pricing policies and weather conditions. This could affect AGI's ability to finance future activities. Operations could also be adversely affected by general economic downturns or limitations on spending.

Competition

The packaged ice industry is very competitive. AGI faces a number of competitors including smaller independent ice manufacturers and retailers that manufacture and package ice at individual store locations as well as one larger competitor with a similar strategy to that of AGI. Competition exists mainly on a regional basis with the main competitive factors being price, service and quality. Additionally, there can be no assurance that AGI's competitors will not achieve greater market acceptance due to pricing or other factors.

Interest Rates

AGI and its subsidiaries will have certain floating rate loans and may be negatively impacted by increases in interest rates, the effect of which increase would be to reduce the amount of cash available for distributions. If interest rates decline, however, cash available for distributions may increase. In addition, it is anticipated that the market price of the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may negatively impact the market price of the Units, and vice-versa.

Currency Risk

A substantial portion of AGI's revenues are now, and are expected to continue to be, realized in currencies other than Canadian dollars, primarily the United States dollar. Fluctuations in the exchange rate between the Canadian dollar and such other currencies may have a material adverse effect on AGI's results of operations.

Risk of Product Liability

AGI is subject to the inherent business risk of product liability claims and adverse publicity if any of its products are alleged to have resulted in adverse effects to a user of such products. AGI currently carries product liability insurance that management believes is adequate under AGI's current circumstances, although there can be no assurance that such circumstances will not change and that such insurance will remain available at reasonable costs, if at all. In the event of an inadequately insured product liability claim, AGI's business and financial condition could be materially adversely affected.

Dependence on Key Personnel

The success of AGI is dependent on the services of a number of members of its senior management. The experience and talents of these individuals will be a significant factor in AGI's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on AGI's operations and business prospects.

Potential Undisclosed Liabilities Associated with Acquisitions

To the extent that prior owners of businesses acquired by AGI failed to comply with or otherwise violated applicable laws, AGI, as a successor owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on AGI's business, financial condition or future prospects.

Acquisitions/Need for Future Financing

AGI intends to grow primarily through acquisitions. There can be no assurance that AGI will find suitable companies for acquisition or that AGI will have sufficient capital resources available to implement its acquisition strategy. While management has set out an acquisitions strategy, there is no assurance that it will continue to be successful and that AGI will continue to identify suitable acquisitions. The payout by AGI of substantially all of its operating cash flow will make additional capital expenditures and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of these funds could limit the future growth of AGI and its cash flow.

Expansion into the United States

AGI views Canada and the United States as potential markets for expansion of AGI's business. The planned expansion into the United States is AGI's primary focus. There is no assurance that any market for AGI's products will develop in these jurisdictions. AGI has not determined the extent of competition, if any, it faces or may face in these markets. The presence of any competition in certain jurisdictions may limit AGI's capabilities to successfully operate in these markets. Failure to expand into these markets could limit the rate of growth of AGI.

Integration of Acquisitions

A key element of AGI's business strategy is to seek acquisition targets in order to expand and enhance its business. In the event that any significant acquisition cannot be successfully integrated into AGI's operations or performs below expectation, AGI's business could be materially and adversely affected.

Effects of Price Changes in Raw Materials

AGI uses large quantities of water and energy in the manufacture and storage of its packaged ice products. AGI also uses large quantities of plastic bags. If the prices of such resources should increase from recent levels, AGI could experience sudden and significant increases in the cost of plastic bags, fuel, or utilities such as water and electricity. AGI may be unable to pass these increases along to its customers. Historically, market prices for plastic bags have fluctuated in response to a number of factors, including changes in polyethylene prices. AGI historically has not attempted to pass through changes in the price of plastic bags, therefore, a large, abrupt change in the price of plastic bags, water, electricity, fuel or other commodity prices could have a material adverse effect on AGI's business, results of operations and debt service capabilities.

Compliance with Government Regulations

The food industry in Canada and the United States is subject to numerous government standards and regulations. While AGI believes that it is currently in compliance with all applicable government standards and regulations, there can be no assurance that all of AGI's facilities will be able to continue to comply with all applicable standards and regulations. In particular, if one or more of AGI's facilities in Canada fails to meet government standards during inspection, AGI may lose its certification. If this occurs, certified facilities and AGI may be adversely affected.

Management and Operation of AGI

The board of directors of AGI oversees the management and operation of AGI's business. As a result, holders of Units have limited say in matters affecting the operation of AGI and, if such holders are in disagreement with the decisions of the board of directors, they will have limited recourse. The control exercised by the board of directors of AGI may make it more difficult for others to attempt to gain control or influence the activities of AGI's business.

Debt Financing

As at December 31, 2003, AGI had outstanding indebtedness of \$32,045,000, of which \$32,045,000 is principal payments and debt maturing within five years or less. In addition, approximately 95% of that indebtedness was variable rate debt.

The ability of AGI to make cash distributions to the Fund, which will allow the Fund to make cash distributions or make other payments or advances, will be subject to applicable laws and contractual restrictions contained in the instruments governing AGI's indebtedness. The degree to which AGI is leveraged could have important consequences to the holders of the Units, including: that AGI's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; that a significant portion of AGI's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations and distributions; that certain of AGI's borrowings may be at variable rates of interest, which exposes it to the risk of increased interest rates; and that AGI may be vulnerable to economic downturns and may be limited in its ability to withstand competitive pressures. Also, there can be no assurance that AGI will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, AGI is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favourable as the terms of its existing indebtedness. These factors may adversely affect AGI's cash distributions to the Fund, which in turn may adversely affect the Fund's cash distributions.

AGI's various credit facilities provide first charge security interests on all of its assets to its various lenders. These credit facilities contain numerous terms and covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of AGI to create liens or other encumbrances, to pay distributions on its securities or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facilities contain a number of financial covenants that require the AGI to meet certain financial ratios and financial condition tests. For example, certain of AGI's loans require specific leverage and debt service coverage ratios which must be maintained by AGI. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could result in a reduction or termination of AGI's cash distributions to the Fund, which in turn may adversely affect the Fund's cash distributions, and may permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of AGI would be sufficient to repay in full that indebtedness.

Environmental Risk

As the owner and lessor of real property in businesses operating in the packaged ice and related products industries, AGI is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that AGI could be liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed at other locations. The failure to remove or remediate such substances, if any, could adversely affect AGI's ability to sell such real property or to borrow using such real property as collateral and could potentially also result in claims against AGI.

Impact of Seasonality on Labour and Distribution

The seasonal nature of AGI's business results in increased operating activity during peak periods of demand. While AGI has historically been able to source additional labour and distribution vehicles during these periods, there can be no assurances AGI will be able to do so in the future.

Short Operating History

While AGI's subsidiaries have been in operation for a substantial period of time, AGI itself has had only a relatively short operating history. AGI has not commissioned any independent market studies on the packaged ice distribution market nor has it received any third party assessment of its marketing strategies. Investors will have to rely on the expertise, ability, judgment, discretion, integrity and good faith of the management in carrying on the business of AGI. There are many competitors to AGI in the manufacture and distribution of packaged ice products in all markets in which AGI sells such products. To remain competitive AGI will be required to at least maintain its current market share for its products and to further develop additional markets for its products.

Environmental laws and regulations can change rapidly and AGI may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse affect on AGI's business.

MANAGEMENT

Trustees of the Fund

The following table outlines the names and municipalities of residence of the current Trustees together with their principal occupations:

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>
James E. Clark ⁽¹⁾⁽²⁾⁽⁴⁾ Vancouver, BC	Non-Executive Chairman of the Board and Trustee	Non-Executive Chairman of the Board, Trustee and director of AGI. President and director of Jecco Properties Ltd. and Moray Channel Enterprises Ltd.
Gary A. Filmon ⁽¹⁾⁽³⁾⁽⁴⁾ Winnipeg, Manitoba	Vice Chairman and Trustee	Vice Chairman, Trustee and director of AGI. Vice-Chairman of Wellington West Capital Inc. and member of Canada's Security and Intelligence Review Committee.
Robert J. Nagy ⁽⁴⁾ Calgary, Alberta	President, Chief Executive Officer and Trustee	President, Chief Executive Officer, Trustee and director of AGI.

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>
Peter S. Hyndman ^{(1) (2) (3) (4)} Vancouver, BC	Trustee	Trustee and director of AGI, Counsel at Fasken, Martineau LLP, Barristers & Solicitors, Vancouver, B.C.
David R. Swaine ^{(2) (3) (4)} Toronto, Ontario	Trustee	Trustee and director of AGI. President of RoyNat Business Capital Inc.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Elected to serve until the 2004 annual meeting of unitholders.

Directors of AGI

The following table outlines the names and municipalities of residence of the current Directors of AGI together with their principal occupations:

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>
James E. Clark Vancouver, BC	Non-Executive Chairman of the Board and Director	Non-Executive Chairman of the Board, Trustee and director of AGI. President and director of Jecco Properties Ltd. and Moray Channel Enterprises Ltd.
Gary A. Filmon Winnipeg, Manitoba	Vice Chairman and Director	Vice Chairman, Trustee and director of AGI. Vice-Chairman of Wellington West Capital Inc. and member of Canada's Security and Intelligence Review Committee.
Robert J. Nagy Calgary, Alberta	President, Chief Executive Officer and Director	President, Chief Executive Officer, Trustee and director of AGI.
Peter S. Hyndman Vancouver, BC	Director	Trustee and director of AGI. Counsel at Fasken, Martineau LLP, Barristers & Solicitors, Vancouver, B.C.
David R. Swaine Toronto, Ontario	Director	Trustee and director of AGI. President of RoyNat Business Capital Inc.
Richard L. Johnson Captain Cook, Hawaii	Director	Director of AGI.

Executive Officers of AGI

The following table outlines the names and municipalities of residence of the executive officers of AGI who are not also directors:

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>
Keith W. McMahon Winnipeg, Manitoba	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer of AGI.

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>
Hugh A. Adams Winnipeg, Manitoba	Secretary	Secretary, Senior Corporate Counsel, Tapper Cuddy, Barristers and Solicitors, Winnipeg, Manitoba.

As of April 26, 2004, 1,929,907 Units were beneficially owned or controlled directly or indirectly by the Trustees of the Fund, and the directors and executive officers of AGI, as a group, which represented approximately 8.28% of the issued and outstanding Units of the Fund.

Biographies

Set out below are brief profiles of each of the Trustees of the Fund and the directors and executive officers of AGI. Other than as set out below, each Trustee of the Fund and director and executive officer of AGI has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years:

James E. Clark, Non-Executive Chairman and Trustee. Mr. Clark has been a Trustee of the Fund since January 22, 2002 and a Director of AGI since August 23, 1996. Mr. Clark has been Non-Executive Chairman of the Board of the Fund and AGI since May 27, 2003 and was Lead Outside Trustee of the Fund from January 22, 2002 to May 27, 2003. Mr. Clark was Vice-Chairman of AGI from June 22, 1998 until May 27, 2003. Mr. Clark was also the Vice-President, Finance and Acquisitions and Chief Financial Officer of AGI from August 23, 1996 to June 22, 1998. Mr. Clark is the President and director of Jecco Properties Ltd. (a real estate development and investment company) since 1991, and is also President and director and sole shareholder of Moray Channel Enterprises Ltd. (a marina development and management company) since 1991.

The Honourable Gary A. Filmon, P.C., Vice Chairman and Trustee. Mr. Filmon has been a Trustee of the Fund since January 22, 2002 and a Director of AGI since May 25, 2000. Mr. Filmon has been Vice Chairman of the Fund and AGI since May 27, 2003. Mr. Filmon has been Vice-Chairman of Wellington West Capital Inc. since June 2001. He is a director of Manitoba Telecom Services Inc. and FWS Construction, serves on the National Advisory Board of Marsh Canada Limited, and is a member of Canada's Security and Intelligence Review Committee. Mr. Filmon was Premier of the Province of Manitoba from 1988 to 1999.

Robert J. Nagy, President, Chief Executive Officer and Trustee. Mr. Nagy has been the Chief Executive Officer and a Trustee of the Fund since January 22, 2002. Mr. Nagy has been the Chief Executive Officer and a Director of AGI since March 1, 1996. Mr. Nagy was President of AGI from March 1, 1996 until October 2, 2000. Mr. Nagy became President of AGI again in August 2002. Mr. Nagy was Chairman of the Board of the Fund and AGI from January 22, 2002 until May 27, 2003. Mr. Nagy is also president and director of various subsidiaries of AGI.

Peter S. Hyndman, Trustee. Mr. Hyndman has been a Trustee of the Fund since January 22, 2002 and a Director of AGI since August 23, 1996. Mr. Hyndman has been Counsel at Fasken, Martineau, Barristers and Solicitors, Vancouver, British Columbia since October 1997. Mr. Hyndman was the Corporate Secretary of The Loewen Group Inc. from January 1990 to March 1998 and was a director of The Loewen Group Inc. from June 1986 to March 1998. Mr. Hyndman was an elected member of the British Columbia Legislature from 1979 to 1983 and served as a Minister of Consumer and Corporate Affairs during two years of that term. He is a Governor of the Business Council of British Columbia and a Trustee of Pacific Salmon Foundation and the Steelhead Habitat Restoration Corporation.

David R. Swaine, Trustee. Mr. Swaine has been a Trustee of the Fund since January 22, 2002 and a Director of AGI, since December 29, 1999. Mr. Swaine has been President of RoyNat Business Capital Inc. since October 2003, and was Executive Vice President and Chief Operating Officer and a director of RoyNat Inc. from July 1994 until October 2003.

Richard L. Johnson, Director. Mr. Johnson has been a director of AGI since December 8, 1997. Mr. Johnson was the President and Director of Plainview Ice & Cold Storage, Inc. until September 1, 2000, and Director of Host Ice & Beverage Equipment Co., Inc. Mr. Johnson is also Past Chairman of South Western Ice Association.

Keith W. McMahon, Executive Vice President and Chief Financial Officer. Mr. McMahon has been the Executive Vice President and Chief Financial Officer of AGI since April 15, 2003, and has been Chief Financial Officer of AGI since April 17, 2001. Prior thereto, Mr. McMahon held various positions with the Canadian Wheat Board including Corporate Controller from 1996 until 1999 and Vice-President, Accounting from 1999 until 2001. Mr. McMahon is a member of the Institute of Chartered Accountants of Manitoba.

Hugh A. Adams, Secretary. Mr. Adams has been the Secretary of AGI from August 23, 1996. Mr. Adams is presently Senior Corporate Counsel at Tapper Cuddy, Barristers and Solicitors. Mr. Adams was a Partner at Tupper & Adams, Barristers and Solicitors from 1982 to January, 2003. Mr. Adams is a Past Chairman, National Constitution Committee and Past Chairman, National Legislation and Law Reform Committee (Canadian Bar Association).

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the knowledge of management of the Fund, no person or company who is a Trustee of the Fund, a director or executive officer of AGI, or a person or company that is the direct or indirect owner of, or who exercises control or direction over, a sufficient number of Units of the Fund so as to materially affect the control of the Fund:

- (a) is, as at the date of this annual information form or has been, within the 10 years before the date of this annual information form, a director or executive officer of any company, that:
 - (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (iii) 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
- (b) has, within the 10 years before the date of this annual information form, 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, officer or shareholder.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on the Fund. Given that the Trustees are engaged in a wide range of business activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the Fund any interest in a material contract or transaction or proposed material contract or transaction with the Fund or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee is required to disclose in writing to the Fund or request to have entered into the minutes of the meeting of the Trustees the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a Trustee, officer, employee or agent of the Fund or one for indemnity under the provisions of the Declaration of Trust or liability insurance.

Neither the Fund nor AGI have been advised of any current or potential material conflicts of interest of their Trustees or director and officers, respectively.

INTEREST OF MANAGEMENT AND OTHER IN MATERIAL TRANSACTIONS

No person or company who is a Trustee of the Fund, a person or company that is the direct or indirect owner of, or who exercises control or direction over, more than 10% of the outstanding Units of the Fund, a director or executive officer of AGI, or an associate or affiliate of any of the aforementioned persons or companies, has had any material interest in any transaction with either the Fund or AGI within the three most recently completed financial years of the Fund or AGI, as applicable, or during the current financial year of either of them, that has or will materially affect either of them.

MARKET FOR SECURITIES, TRADING PRICE AND VOLUME

The Units of the Fund are listed and posted for trading on the TSX under the trading symbol “AG.UN”.

The following table sets forth the reported high and low sales prices and the trading volumes as reported by the TSX for the periods indicated:

	Price Range		Trading Volume
	High	Low	
2002			
March 22 - 31 ⁽¹⁾	9.70	9.16	2,111,124
April	9.51	8.20	754,965
May	9.00	8.20	1,285,622
June	9.18	8.52	650,441
July	9.15	8.00	668,364
August	9.00	8.31	245,704
September	9.09	8.25	429,168
October	9.07	8.67	503,085
November	9.05	8.61	322,110
December	8.94	8.51	438,467
Total for Period			7,409,050
2003			
January	9.27	8.50	371,683
February	9.50	9.00	360,965
March	9.59	9.31	227,546
April	9.70	9.33	291,964
May	9.95	9.51	209,109
June	9.98	9.45	1,374,697
July	10.09	9.50	548,162
August	10.65	10.00	432,017
September	10.53	9.86	641,937
October	10.09	9.55	1,422,126
November	10.12	9.75	471,098
December	10.68	9.81	983,785
Total for Period			7,335,089
2004			
January	10.94	10.40	748,990
February	11.99	10.65	733,646
March	12.29	11.50	635,929
April 1-23	12.20	10.50	616,568
Total for Period			2,735,133

Notes:

- (1) The Units commenced trading on the TSX on March 22, 2002.
- (2) The closing price of Common Shares on the TSX on April 23, 2004, the last trading date prior to the date of this annual information form, was \$11.37.

DISTRIBUTION HISTORY

The Fund has a policy of distributing cash to the holders of Units on a monthly basis. Full particulars of the distribution policy are set forth under the heading "Description of the Fund - Cash Distributions".

The particulars of distributions declared by the Fund since it acquired The Arctic Group Inc., now AGI, on March 22, 2002 to and including the period ending April 26, 2004 are as follows:

Distribution	Payment Date	Amount of Distribution	Taxable Portion of Distribution per Unit
March 22-April 30, 2002	May 15, 2002	\$0.11500 per Unit	\$0.06008
May 2002	June 14, 2002	\$0.08750 per Unit	\$0.04656
June 2002	July 15, 2002	\$0.08750 per Unit	\$0.04505

Distribution	Payment Date	Amount of Distribution	Taxable Portion of Distribution per Unit
July 2002	August 15, 2002	\$0.08750 per Unit	\$0.04655
August 2002	September 13, 2002	\$0.08750 per Unit	\$0.04655
September 2002	October 15, 2002	\$0.08750 per Unit	\$0.04504
October 2002	November 15, 2002	\$0.08750 per Unit	\$0.04654
November 2002	December 13, 2002	\$0.08750 per Unit	\$0.04504
December 2002	January 15, 2003	\$0.08750 per Unit	\$0.04654
January 2003	February 14, 2003	\$0.08920 per Unit	\$0.05600
February 2003	March 14, 2003	\$0.08920 per Unit	\$0.05058
March 2003	April 15, 2003	\$0.08920 per Unit	\$0.05600
April 2003	May 15, 2003	\$0.08920 per Unit	\$0.05419
May 2003	June 13, 2003	\$0.08920 per Unit	\$0.05600
June 2003	July 15, 2003	\$0.08920 per Unit	\$0.04635
July 2003	August 15, 2003	\$0.08920 per Unit	\$0.04789
August 2003	September 15, 2003	\$0.08920 per Unit	\$0.04789
September 2003	October 15, 2003	\$0.08920 per Unit	\$0.04635
October 2003	November 14, 2003	\$0.08920 per Unit	\$0.03769
November 2003	December 15, 2003	\$0.08920 per Unit	\$0.03647
December 2003	January 15, 2004	\$0.08920 per Unit	\$0.03767
January 2004	February 13, 2004	\$0.08920 per Unit	(2)
February 2004	March 15, 2004	\$0.08920 per Unit	(2)
March 2004	April 15, 2004	\$0.08920 per Unit	(2)
April 2004 ⁽¹⁾	May 14, 2004	\$0.08920 per Unit	(2)

Note:

- (1) Such distribution was declared on April 16, 2004 and is payable to unitholders of record at the close of business on April 30, 2004.
- (2) The taxable portion of the distributions per Unit for 2004 will be determined early in 2005.

LEGAL PROCEEDINGS

Neither the Fund nor AGI have been, nor are presently involved in, any legal proceedings material to them and insofar as they are aware, no such proceedings are contemplated.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar for the Units.

ADDITIONAL INFORMATION

Additional information relating to the Fund may be found on SEDAR at www.sedar.com.

Additional information, including trustees', directors' and officers' remuneration and indebtedness, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Fund's Information Circular for its most recent meeting of Unitholders which involved the election of Trustees.

Additional financial information is provided in the Fund's consolidated financial statements and management discussion and analysis for its most recently completed financial year.

The Fund will provide to any person or company, upon request to the Corporate Secretary of the Fund:

1. When the securities of the Fund are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of the Fund's securities:
 - (a) one copy of the annual information form of the Fund together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form;
 - (b) one copy of the Fund's comparative consolidated financial statements for the most recently completed financial year, together with the report of the auditors thereon, and one copy of any of the Fund's interim financial statements subsequent to such audited financial statements;
 - (c) one copy of the Fund's information circular in respect of the most recent annual meeting of Unitholders of the Fund that involved the election of Trustees; and
 - (d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or short form prospectus.
2. At any other time, one copy of each of the documents referred to in 1(a), (b) or (c) provided that the Fund may require the payment of a reasonable charge if the inquiry is made by a person who is not a Unitholder of the Fund.

Any request for any documents referred to above should be made to the Corporate Secretary of the Fund, 625 Henry Avenue, Winnipeg, Manitoba, R3A 0V1 and facsimile 204-783-9857.