
ARCTIC GLACIER INCOME FUND

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2006

Dated: March 15, 2007

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GLOSSARY

In this annual information form, the following terms have the meanings set out below:

“**2006 Proposed Tax Changes**” means the proposed changes to the Tax Act announced by Finance on October 31, 2006 and December 21, 2006 with respect to the taxation of distributions by certain publicly traded mutual fund trusts;

“**AGI**” means Arctic Glacier Inc., a corporation incorporated pursuant to the *Business Corporations Act* (Alberta) and a wholly-owned subsidiary of the Fund. Where the context requires, references to AGI may include its subsidiaries considered on a consolidated basis and may include 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;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDS Participant**” a broker, dealer, bank, other financial institution or other person for whom, from time to time, CDS effects book-entry for Debentures deposited with CDS;

“**Change of Control**” means an occurrence involving the acquisition by any person, or group of persons acting jointly or in concert, of voting control of or direction over 66 ⅔% or more of the outstanding Units (after giving effect to the conversion or exchange of securities convertible into, exchangeable for or otherwise carrying the right to acquire Units);

“**Conversion Price**” means the price at which holders of Debentures may, at the holder’s option, convert the Debentures into fully-paid Units at any time prior to the close of business on the Maturity Date or the business day immediately preceding the date fixed for redemption, being a price of \$12.60 per Unit, subject to adjustment upon the occurrence of certain events;

“**Current Market Price**” means the volume-weighted average trading price for the Units on the TSX for the 20 consecutive trading days ending five trading days prior to the applicable event;

“**DBRS**” means Dominion Bond Rating Service Limited;

“**Debentures**” means the 6.50% extendible convertible unsecured subordinated debentures issued under the Indenture;

“**Debentureholder**” means a holder from time to time of the Debentures;

“**Debenture Trustee**” means Computershare Trust Company of Canada;

“**Declaration of Trust**” means the declaration of trust for the Fund initially dated as of January 22, 2002, as amended and restated on March 11, 2002 and as further amended and restated on December 6, 2004;

“**Distributable Cash**” means cash available for distribution to Unitholders in accordance with the distribution policies of the Fund. Distributable Cash is not a recognized measure under Canadian generally accepted accounting principles. See “Non-GAAP Measures”;

“**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 non-recurring expenses including acquisition integration charges. EBITDA is not a recognized measure under Canadian generally accepted accounting principles. See “Non-GAAP Measures”;

“Event of Default” has the meaning attributable thereto under the section “Description of the Debentures – Events of Default”;

“Exempt Plans” means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans;

“Existing Trust” means an income trust the units of which were publicly listed as of October 31, 2006;

“Finance” means the Minister of Finance (Canada);

“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 and, where the context requires, the Fund and its subsidiaries considered on a consolidated basis;

“Indenture” means the trust indenture dated May 25, 2006 between the Fund and the Debenture Trustee;

“Interest Obligation” means the Fund’s obligation to pay interest on the Debentures in accordance with the Indenture;

“Interest Payment Date” means a date on which interest on the Debentures is payable in accordance with the Interest Obligation;

“Maturity Date” means July 31, 2011;

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

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

“Put Date” has the meaning attributable thereto under the section “Description of the Debentures – Change of Control”;

“Put Price” has the meaning attributable thereto under the section “Description of the Debentures – Change of Control”;

“Redemption Price” has the meaning attributable thereto under the section “Description of the Debentures – Redemption and Purchase”;

“RRIF” means a registered retirement income fund as defined in the Tax Act;

“RRSP” means a registered retirement savings plan as defined in the Tax Act;

“Senior Indebtedness” has the meaning attributable thereto under the section “Description of the Debentures – Subordination”;

“SIFT” means a specified investment flow-through trust or partnership as contemplated by the 2006 Proposed Tax Changes;

“Subsidiary Debt” means the debt of AGI or NSULC, as applicable, held by the Fund from time to time;

“Subsidiary Shares” means the shares and other securities of AGI or NSULC, as applicable, held by the Fund from time to time;

“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 Interest Payment Election**” means the Fund’s option to elect, from time to time, to satisfy the Interest Obligation, on an Interest Payment Date, by delivering sufficient Units to the Debenture Trustee to satisfy all or any part of the Interest Obligation in accordance with the Indenture;

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

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

In this annual information form, a person or company is considered to be an “**affiliate**” of another person or company if one is a subsidiary of the other, or if both are subsidiaries of the same person or company, or if each of them is controlled by the same person or company.

In this annual information form, the term “**associate**”, when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling the person or company to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or company;
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;
- (d) in the case of a person, a relative of that person, including:
 - (i) the spouse or adult interdependent partner of that person; or
 - (ii) a relative of the person's spouse or adult interdependent partner if the relative has the same home as that person;

In this annual information form, a person or company is considered to be “**controlled**” by a person or company if:

- (a) in the case of a person or company:
 - (i) voting securities of the first-mentioned person or company carrying more than 50 percent of the votes for the election of directors or trustees are held, otherwise than by way of security only, by or for the benefit of the other person or company, and
 - (ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors or trustees of the first-mentioned person or company;
- (b) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50 percent of the interests in the partnership; or
- (c) in the case of a limited partnership, the general partner is the second-mentioned person or company.

In this annual information form, a person or company is considered to be a “**subsidiary**” of another person or company if:

- (a) it is controlled by:
- (i) that other, or
 - (ii) that other and one or more persons or companies each of which is controlled by that other, or
 - (iii) two or more persons or companies, each of which is controlled by that other; or
- (b) it is a subsidiary of a person or company that is the other's subsidiary.

Unless the context otherwise requires, any reference in this annual information form to any agreement, instrument, indenture, declaration or other document shall mean such agreement, instrument, indenture or other document, as amended, supplemented and restated at any time and from time to time prior to the date hereof or in the future.

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 annual information form are in Canadian dollars, except where otherwise indicated.

DATE OF INFORMATION

Unless otherwise specified, information in this annual information form is given as of December 31, 2006, being the last day of the most recently completed financial year of the Fund.

FORWARD LOOKING STATEMENTS

Certain statements in this 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. All statements other than statements of historical fact contained in this annual information form are forward looking statements including, without limitation, statements regarding the timing and amount of distributions of the Fund and the future financial position, business strategy, proposed acquisitions, plans and objectives of the Fund or its subsidiaries. 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 future tax treatment of income trusts, weather conditions, 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 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. The forward looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward looking statements are made as at the date of this annual information form and the Fund assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances.

NON-GAAP MEASURES

In this annual information form:

- “**EBITDA**” means earnings before interest expense, income taxes, depreciation and amortization and non-recurring expenses including acquisition integration charges; and
- “**Distributable Cash**” means cash available for distribution to Unitholders in accordance with the distribution policies of the Fund.

EBITDA is a performance measure used by many investors to provide an indication of cash available for distribution from ongoing operations prior to debt service, capital expenditures and income taxes and is often used to compare companies and income trusts on the basis of ability to generate cash from ongoing operations. Distributable Cash is a performance measure generally used by Canadian income trusts as an indicator of the funds available for distribution to unitholders. As one of the factors that may be considered relevant by prospective investors is the cash distributed by the Fund relative to the price of the Units, management believes that EBITDA and Distributable Cash of the Fund are useful supplemental measures that may assist prospective investors in assessing an investment in Units.

EBITDA and Distributable Cash are measures that are not recognized by Canadian generally accepted accounting principles ("GAAP") and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Distributable Cash may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA and Distributable Cash should not be construed as alternatives to earnings, cash from operations or other financial measures determined in accordance with GAAP as indicators of the Fund's performance. The Fund's method of calculating EBITDA and Distributable Cash may differ from other companies and income trusts and, accordingly, may not be comparable to measures used by them.

CASH DISTRIBUTIONS

A return on an investment in Units of the Fund (including Units issuable pursuant to the 6.50% extendible convertible unsecured subordinated debentures of the Fund ("Debentures")) is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions.

Although the Fund intends to make distributions of its available cash to its Unitholders, these cash distributions are not assured and may be reduced or suspended. The ability of the Fund to make cash distributions and the actual amount distributed will be dependant upon, among other things, the financial performance of the Fund and its subsidiaries, their debt covenants and obligations, their working capital requirements, their future capital requirements and the future tax treatment of income trusts. In addition, the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant.

It is important for a person making an investment in securities of the Fund to consider the particular risk factors that may affect both the Fund and the industry in which the Fund, through its subsidiaries, operates and that may therefore affect the stability of the cash distributions on the Units of the Fund. See the section of the annual information form entitled "Risk Factors" which describes the Fund's assessment of those risk factors, as well as the potential consequences to a securityholder if a risk should occur.

The after-tax return to Unitholders from an investment in Units will depend, in part, on the composition for income tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. That composition may change over time, thus affecting a Unitholder's after-tax return. On October 31, 2006 and December 21, 2006, the Minister of Finance (Canada) ("Finance") released proposed changes to the Income Tax Act (Canada) (the "Tax Act") (which are discussed in more detail under the heading "Risk Factors – Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts"), which would, if enacted, apply a tax on certain income earned by a "specified investment flow-through" ("SIFT") trust, as well as taxing the taxable distributions received by investors from such entities as dividends (the "2006 Proposed Tax Changes"). As currently drafted, the 2006 Proposed Tax Changes do not change the tax treatment of distributions that are paid as a return of capital by SIFTs but there can be no assurance that the final legislation implementing the 2006 Proposed Tax Changes will maintain such tax treatment. As currently drafted, the 2006 Proposed Tax Changes will not apply to an income trust, such as the Fund, the units of which were publicly listed as of October 31, 2006 (an "Existing Trust"), until the 2011 taxation year of the trust, subject to certain concerns including the "undue expansion" of the trust, as discussed further herein. See "Risk Factors – Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts."

RATINGS

Dominion Bond Rating Service Limited (“DBRS”) provides stability ratings for income trusts and real estate investment trusts. A stability rating generally provides an indication of both the stability and sustainability of the trust’s distributions to unitholders. DBRS’s rating categories range from highest stability and sustainability of distributions per unit (STA-1) to poor stability and sustainability of distributions per unit (STA-7). DBRS has provided the Fund with a stability rating of STA-4 (middle). This rating category reflects adequate stability and sustainability of distributions per unit. The stability rating accorded to the Fund is not a recommendation to purchase, hold or sell the Fund’s Units. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by a rating agency at any time.

DBRS also provides long-term debt ratings for companies and income trusts. A long-term debt rating generally provides an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal commitments. DBRS’s rating categories range from highest credit quality and exceptionally strong protection for timely repayment of principal and interest (AAA) to lowest credit quality with missed or expected missed scheduled interest or principal repayments (D). DBRS has provided AGI and its subsidiaries with a long-term debt rating of BB on senior secured notes and bank credit facilities. This rating category reflects speculative or non-investment grade debt, where the degree of protection afforded interest and principal is uncertain, especially during periods of economic recession. DBRS has also provided the Fund with a debt rating of B (high) on the Fund’s Debentures, primarily because the Debentures are deeply subordinated to debt issued by AGI and have the potential to be more significantly affected by fluctuations in AGI’s earnings. This rating category reflects highly speculative debt, where the degree of protection afforded interest and principal is highly uncertain, especially during periods of economic recession or industry adversity. The credit rating accorded to the Fund’s debt securities are not recommendations to purchase, hold or sell such debt securities. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by a rating agency at any time.

ORGANIZATIONAL STRUCTURE

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 to make it more appropriate for a publicly traded income trust and further amended and restated on December 6, 2004 to allow for non-resident persons to serve as trustees of the Fund (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 through its wholly-owned subsidiary, Arctic Glacier Inc. (“AGI”). AGI carries on its business directly and indirectly through its direct and indirect wholly-owned subsidiaries.

The Fund conducts no business directly. The only assets of the Fund consist of the debt it holds in AGI and 3084435 Nova Scotia Company (“NSULC”) (collectively, the “Subsidiary Debt”) and the shares and other securities it holds in AGI and NSULC (collectively, the “Subsidiary Shares”). To the maximum extent possible, the Fund distributes amounts received as dividends on the Subsidiary Shares and interest income from and principal repayments, if any, on the Subsidiary Debt less expenses and any cash redemptions on Units.

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:

RECENT DEVELOPMENTS

California Ice Acquisition

In 2006, AGI, via an indirect subsidiary, acquired a group of six entities in California involved in the packaged ice business (the “California Ice Acquisition”), such entities consisting of 100% of the outstanding equity interests of Mountain Water Ice Company, Diamond Newport Corporation, Jack Frost Ice Service, Inc., Glacier Valley Ice Company, L.P., Glacier Ice Company, Inc. and South Bay Ice, LLC (collectively referred to herein as “California Ice”). The total consideration for the California Ice Acquisition was approximately U.S. \$188.5 million. The California Ice Acquisition was completed in two stages. The closing of the acquisition of four of the companies that comprised California Ice, such companies being Mountain Water Ice Company, Diamond Newport Corporation, Jack Frost Ice Service, Inc. and Glacier Valley Ice Company, L.P., occurred on May 25, 2006 while the closing of the acquisition of the two remaining companies that comprised California Ice, such companies being Glacier Ice Company, Inc. and South Bay Ice, LLC., occurred on August 8, 2006.

In conjunction with the first closing of the California Ice Acquisition in May 2006, the Fund also completed a public offering, on a bought deal basis, of 4,673,000 subscription receipts at a price of \$10.70 per subscription receipt for gross proceeds of approximately \$50 million and \$100 million principal amount of 6.50% extendible convertible unsecured subordinated debentures (the “Debentures”). Each subscription receipt was automatically exchanged for one Unit for no additional consideration upon the completion of the first stage of the California Ice Acquisition on May 25, 2006. The proceeds of that offering were used to partially finance the California Ice Acquisition.

California Ice has the leading market share in California and is the market leader in its largest metropolitan areas including Los Angeles, San Diego, San Francisco, Oakland, San Jose and Sacramento. In addition, as the only manufacturer and distributor of packaged ice with a state-wide presence, California Ice has a competitive advantage in servicing large, multi-location customers. Nearly all of the manufacturing facilities, distribution centres and refrigerated warehouse facilities of California Ice have been recently constructed or renovated, with a significant amount of capital expenditures having been spent over the past three years to expand, upgrade and modernize the facilities.

Happy Ice Acquisition

In June 2006, AGI expanded its coverage of the key upstate New York market with the acquisition, via an indirect subsidiary, of the assets and operations of Happy Ice LLC of Fairport, New York (“Happy Ice”). Happy Ice operates a production plant in Fairport and four distribution centers located in Albany, Buffalo, Corning and Utica, New York. Happy Ice is the leading provider of packaged ice in upstate New York, serving major markets including Buffalo, Rochester, Albany, Syracuse and portions of northeastern Pennsylvania. Happy Ice is one of the largest independent ice manufacturers in the northeastern United States, producing over 350 tons of packaged ice per day. The total consideration for the Happy Ice acquisition was approximately U.S. \$15.4 million.

Appointment of New Executive Officers

On December 29, 2006, Keith McMahon was appointed as President and Chief Executive Officer of AGI, succeeding Robert Nagy, who retired from management. Mr. Nagy continues as a Trustee of the Fund and has assumed the role of Vice Chairman of the Board of Trustees of the Fund. Also on December 29, 2006, Douglas Bailey, formerly Vice President of Accounting and Corporate Controller, replaced Mr. McMahon as Chief Financial Officer; and Frank Larson, formerly Senior Vice President, Operations, was appointed Executive Vice President, Operations.

The promotion of Keith McMahon to his new role at AGI provides a seamless transition within the executive management team. Mr. McMahon played an instrumental role in the reorganization of AGI into an income trust in 2002. In addition, he has led all significant acquisitions, equity offerings and debt financings since then that have enabled the Fund to execute its growth strategy.

In his new role as Vice Chairman, Mr. Nagy will continue to work with senior management on broad strategic issues and the continued growth strategy of the Fund. Mr. Nagy assumes the role of Vice Chairman from the Honourable Gary Filmon, PC, who has served in that capacity since May 2003. Mr. Filmon will continue as a Trustee of the Fund, as well

as serving as Chair of the Audit Committee and as a member of the Corporate Governance Committee and the Compensation Committee.

Equity Financing

In February 2007, the Fund issued 5,350,000 Units at a price of \$13.10 per Unit for gross proceeds of approximately \$70 million. The financing was completed on a bought-deal basis with an underwriting syndicate led by Scotia Capital Inc. and TD Securities Inc., and including BMO Capital Markets Inc., National Bank Financial Inc. and Wellington West Capital Markets Inc. The net proceeds of the offering were used to repay outstanding indebtedness such that the Fund, via AGI, would have the capacity to finance additional investments in its existing operations as well as acquisitions.

Union Ice Acquisition

In March 2007, AGI expanded its coverage of the key southern California market with the acquisition, via an indirect subsidiary, of the assets and operations of Union Ice-Pacific L.P. of Los Angeles, California, which operates as Union Ice. Servicing the greater Los Angeles market since 1882, Union Ice is the second largest ice company in California, with annual revenues of approximately U.S. \$10 million. Union Ice operates two manufacturing plants in the greater Los Angeles area. The Vernon facility, located near downtown Los Angeles, is a new state-of-the-art facility that was built in 2006. The Van Nuys facility is the largest producer of 300 pound block ice on the west coast and is the primary source for block ice, snow scenes, ice sculptures and other ice products for the television and movie industries in Hollywood. The total consideration for the Union Ice acquisition was approximately U.S. \$22.3 million.

INDUSTRY OVERVIEW

North American Packaged Ice Industry Overview

The North American packaged ice industry serves a large and growing market, with total annual retail sales of approximately U.S.\$2.5 billion and forecast annual growth of approximately 3% to 5% (International Packaged Ice Association (2005)). Packaged ice is distributed through retail and commercial channels, with retail accounting for approximately 95% of all packaged ice sales, according to management estimates. Retail customers are wide ranging, and include convenience stores, gas stations and large regional or national grocery chains. Commercial users, which represent the balance of the market, include restaurants, bakeries, meat and poultry processors, fisheries, chemical plants, tanneries and concrete plants.

Overall, the ice manufacturing and distribution industry is highly fragmented and regionalized. Management of AGI estimates that there are over 2,000 companies in the ice production and distribution business, with 90% generating less than U.S.\$1.0 million in revenue per year. However, there are a few regional and national multi-facility operators, the largest of which include AGI, Home City Ice and Reddy Ice.

Current Industry Trends

Consolidating Customer Base

The retail customer base for packaged ice has undergone significant consolidation and management of AGI expects this trend to continue. As this customer base continues to consolidate, their service requirements increase, requiring higher volumes across a larger geographic area. Management of AGI believes that established packaged ice manufacturers with the scale required to meet these needs, such as AGI, will be better positioned to retain their current customers and attract new ones as retailers grow and their needs increase.

Increasing Consumer Focus on Product Safety

Growing concern regarding the safety of food and water is increasing consumer demand for premium quality products. This increasing consumer awareness of product quality increases the potential for brand differentiation. In addition, the capital costs required to establish and maintain water filtration equipment and the associated quality control systems can

be substantial. Management of AGI believes that, together, these factors provide further competitive advantages to established packaged ice producers such as AGI.

Favourable Population Growth

Management of AGI believes volume growth in the packaged ice industry is influenced by population growth, thus favouring geographic markets with faster population growth. According to information released by the U.S. Census Bureau, the U.S. population is expected to grow at a compound annual growth rate (“CAGR”) of 0.9% over the next 10 years. According to information released by Statistics Canada, the Canadian population is expected to grow at a CAGR of 0.8% over the same period.

DESCRIPTION OF THE BUSINESS

Overview

AGI is the second largest producer of packaged ice in North America. It is the largest producer of packaged ice in Canada and the second largest producer of packaged ice in the United States. Further, 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 California, northern Delaware, Iowa, Kansas, northeastern Maryland, Michigan, Minnesota, Nebraska, northern and western New Jersey, New York including New York City and Long Island, North Dakota, eastern Pennsylvania, South Dakota, western Texas and Wisconsin. Customers in many additional communities in Canada and the northeast, central and western United States that are not serviced on a direct delivery basis purchase packaged ice produced by AGI through an alternate distribution network.

For the year ended December 31, 2006, approximately 80% of AGI’s sales were generated in the United States, while the remaining 20% were generated in Canada. With the recent acquisition of California Ice, it is expected that a larger percentage of AGI’s sales will be generated in the United States for the 2007 fiscal year and beyond. AGI services approximately 68,000 customer locations. AGI’s largest customer accounts for approximately 5% of sales, derived from hundreds of locations throughout multiple states and provinces. In aggregate, AGI’s 20 largest customers account for less than 30% 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 northeast, central and western United States.

AGI operates 34 production and 50 distribution facilities throughout Canada and the northeast, central and western United States. In addition to production capacity of 9,400 tons per day, AGI has refrigerated storage facilities sufficient to store 48,000 pallets of finished product representing approximately fourteen million seven pound retail bags of ice. In Canada, AGI operates eight production facilities with a daily production capacity of approximately 1,100 tons and three distribution warehouses with total cold storage capacity between the production and distribution facilities for 4,200 pallets of finished product. Canadian operations are located in Alberta, British Columbia, Manitoba, Ontario, Quebec and Saskatchewan. In the United States, AGI operates 26 production facilities with approximately 8,300 tons of daily production capacity as well as an additional 47 distribution warehouses with total cold storage capacity between production and distribution facilities for 43,800 pallets of finished product. These operations are located in California, Iowa, Kansas, Michigan, Minnesota, Nebraska, New Jersey, New York, North Dakota, Pennsylvania, South Dakota, Texas and Wisconsin. AGI leases real estate for 14 of its production facilities and 34 of its distribution facilities. The balance of AGI’s locations are owned facilities.

Since May 1, 1997, AGI has invested more than \$580 million on the acquisition of 62 packaged ice businesses and capital expenditures, including upgrading facilities and rationalizing operations.

During the 2006 fiscal year, AGI and its subsidiaries averaged a total of approximately 1,100 employees during the winter months and approximately 2,200 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
- Brand development.

Growth Through Acquisition

Beginning in 1997, AGI commenced an aggressive acquisition program. Since May 1, 1997, AGI has acquired 62 packaged ice businesses in Canada and the United States at a cost of approximately \$505 million. These strategic 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 few years, the focus of AGI's 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 AGI's 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 in the first complete fiscal year .

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 \$19 million 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 1997 to current margins of approximately 27.0% for the year ended December 31, 2006. 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-four 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 May 1, 1997, AGI restructured its distribution infrastructure to maximize efficiency. The strategic and geographically contiguous growth has enhanced sales density enabling AGI to have a more efficient distribution system with fewer operating vehicles. During this time, AGI closed twelve redundant distribution facilities and has created centralized distribution centres in each operating region.

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. 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 in certain facilities.

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 finished 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. AGI has invested in sophisticated form and fill packaging equipment in many markets, 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 a decade 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 700 vehicles in Canada and the United States — thus creating 700 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 52,000 of the 68,000 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. AGI currently has franchise agreements with seven companies.

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 2003, Ice Perfection Systems Inc. signed franchise agreements with three more 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.

During 2004, Ice Perfection Systems Inc. signed an additional franchise agreement as follows:

- Baker's Ice Company Inc. of Pacific, Missouri, a large independent packaged ice company in the midwestern United States that distributes throughout metropolitan St. Louis and the central and southeast Missouri markets.

During 2006, Ice Perfection Systems Inc. did not renew the franchise agreement with Creed Ice Co., Inc. of Rutland Vermont.

National and regional service agreements, whereby AGI administers the customers' packaged ice programs, 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, airlines and meat processors. AGI also produces ice in bulk containers sold primarily to poultry processors, the commercial fishing industry, chemical plants and the construction industry. Revenue from packaged ice products represented more than 90% of total annual revenue in each of the 2006, 2005 and 2004 fiscal years.

AGI markets other 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 2006, 2005 and 2004 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 sterilization to kill any micro-organisms which may have survived municipal water treatment.

At its manufacturing facilities in Winnipeg, Chatham, Mississauga, Montreal, Wichita, Belding, Grayling, Port Huron, Fairport, Modesto, Fresno, Bakersfield, Fremont, Elk Grove, Carson and Oceanside, 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 Calgary, Edmonton, Regina, Surrey, Ames, Dubuque, Fridley, Marshall, West St. Paul, Omaha, Brooklyn, Mamaroneck, Newburgh, Twin Oaks, Lubbock, Madison, Milwaukee and Santa Ana 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 produces and packages ice at centrally located manufacturing facilities and subsequently sells the product with two primary delivery alternatives. These delivery alternatives include (i) delivering packaged ice directly to the customer's retail location for stocking or resale; or (ii) warehouse shipments of ice from AGI facilities to the facilities of its customers who choose to deliver ice to their retail locations through their own distribution network. AGI delivers ice through traditional distribution methods using its own fleet and through independent distributors in certain markets. AGI owns approximately 575 refrigerated vehicles and has long-term leases on a further 150 vehicles. AGI leases additional vehicles during the summer months on short-term leases.

AGI serves most of its customer locations through traditional distribution methods; principally through the use of its stand alone ice merchandising freezer units that are installed at most of the locations. AGI owns approximately 52,000 merchandising freezer units that vary in size from 28 cubic feet to 100 cubic feet. The merchandising unit is sized according to the service requirements of the individual location.

Approximately 75% 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 20% 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. The majority 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 5% of ice sales by AGI are sold to a variety of commercial and industrial users that include restaurants, bakeries, airlines, meat and poultry processors, fisheries, chemical plants, tanneries and the construction industry.

AGI does manage approximately 650 in-store ice production systems on behalf of their owner, through an arrangement that expires in December 2008.

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>
Calgary.....	Alberta	9,000	Owned
Edmonton.....	Alberta	13,500	Owned
Surrey.....	British Columbia	12,000	Leased
Winnipeg.....	Manitoba	13,000 ⁽¹⁾	Owned
Chatham.....	Ontario	26,900	Owned
Mississauga.....	Ontario	21,500	Owned
Montreal.....	Quebec	56,873 ⁽²⁾	Owned
Regina.....	Saskatchewan	4,000	Leased
Bakersfield.....	California	16,000	Leased
Los Angeles/Carson.....	California	10,000	Leased
Elk Grove.....	California	72,000	Leased
Fremont.....	California	47,600	Leased
Fresno.....	California	45,000	Leased
Modesto.....	California	20,000	Leased
Oceanside.....	California	35,000	Leased
Santa Ana.....	California	10,000	Leased
Ames.....	Iowa	10,700	Owned
Dubuque.....	Iowa	10,100	Owned
Wichita.....	Kansas	12,181	Owned
Belding.....	Michigan	38,000	Owned
Grayling.....	Michigan	23,000	Owned
Port Huron.....	Michigan	50,000	Owned
Fridley.....	Minnesota	15,000	Leased
Marshall.....	Minnesota	10,500	Owned
West St. Paul.....	Minnesota	33,320	Owned
Omaha.....	Nebraska	12,000	Owned
Mamaroneck.....	New York	51,000	Leased
Newburgh.....	New York	26,000	Owned
New York City/Brooklyn.....	New York	20,000	Leased
Rochester/Fairport.....	New York	110,000	Owned
Philadelphia/Twin Oaks.....	Pennsylvania	22,650	Owned
Lubbock.....	Texas	36,130	Owned
Madison.....	Wisconsin	26,380	Leased
Milwaukee/Menominee Falls.....	Wisconsin	41,250	Owned

Notes:

- (1) Excluding Corporate Offices of approximately 18,000 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
Hamilton.....	Ontario	6,400	Owned
Sauble Beach.....	Ontario	1,100	Leased
Capitola.....	California	1,000	Leased
Concord.....	California	2,500	Leased
Marysville.....	California	4,000	Leased

<u>City</u>	<u>State/Province</u>	<u>Area (Sq. Ft.)</u>	<u>Owned/Leased</u>
Rohnert Park	California	2,000	Leased
Cedar Rapids	Iowa	3,500	Leased
Davenport.....	Iowa	1,500	Leased
Des Moines	Iowa	5,000	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
Bad Axe	Michigan	3,200	Leased
Detroit/River Rouge.....	Michigan	14,000	Owned
Detroit/Shelby	Michigan	4,000	Owned
Detroit/Ypsilanti.....	Michigan	17,000	Owned
Flint.....	Michigan	35,000	Owned
Saginaw	Michigan	5,000	Owned
Brainerd	Minnesota	5,000	Leased
Rochester.....	Minnesota	5,230	Leased
St. Cloud	Minnesota	2,000	Leased
Gering	Nebraska	1,100	Leased
Grand Island.....	Nebraska	9,200	Leased
Lincoln.....	Nebraska	9,912	Owned
Norfolk.....	Nebraska	4,000	Leased
North Platte	Nebraska	3,515	Leased
Raritan.....	New Jersey	8,000	Leased
Roselle Park	New Jersey	6,000	Leased
Albany.....	New York	5,000	Leased
Buffalo	New York	5,000	Leased
Corning	New York	3,000	Leased
New York City/Bronx.....	New York	10,000	Leased
Utica.....	New York	5,300	Leased
Bismarck	North Dakota	2,006	Leased
Fargo	North Dakota	8,749	Leased
Montgomeryville.....	Pennsylvania	23,890	Leased
Stroudsburg.....	Pennsylvania	6,000	Leased
Aberdeen.....	South Dakota	4,000	Leased
Sioux Falls	South Dakota	3,000	Leased
Amarillo.....	Texas	30,054	Owned
Comanche	Texas	7,000	Leased
Midland.....	Texas	7,000	Owned
San Angelo.....	Texas	3,000	Leased
Lacrosse	Wisconsin	1,000	Leased
Neenah	Wisconsin	4,000	Owned
Sturgeon Bay.....	Wisconsin	2,400	Leased
Wausau.....	Wisconsin	13,000	Leased

Customers

Approximately 80% of AGI's revenues are generated in the United States, while the remaining 20% are generated in Canada. AGI services approximately 68,000 customer locations. AGI's largest customer accounts for approximately 5% of sales derived from hundreds of locations throughout multiple states and provinces. In aggregate, AGI's 20 largest customers account for less than 30% 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 northeast, central and western United States.

Approximately 95% of AGI's sales are made to retail stores, with 55% made to supermarket grocery stores and 40% to convenience stores including gas stations. AGI services most regional and national retail supermarket and convenience store chains located within its market areas.

Approximately 5% of AGI's sales are made to commercial and industrial customers that include restaurants, bakeries, airlines, meat and poultry processors, fisheries, chemical plants, tanneries and the construction industry.

Suppliers

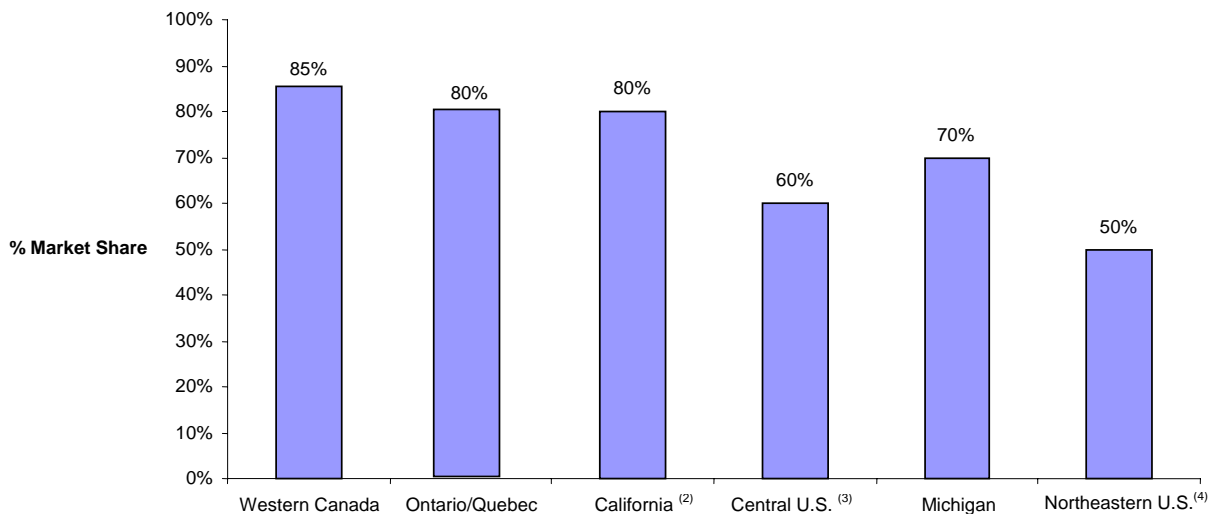
AGI uses significant amounts of electricity and water in the production of its products. Suppliers of these inputs are generally regulated utilities and, as a result, supply has been reliable. AGI also uses a significant amount of diesel fuel to operate its distribution fleet and is subject to fluctuations in the price of the underlying commodity, oil. During extended periods of high oil prices, AGI has historically been able to retain its margin levels through 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 California, northern Delaware, Iowa, Kansas, northeastern Maryland, Michigan, Minnesota, Nebraska, northern and western New Jersey, New York including New York City and Long Island, North Dakota, eastern Pennsylvania, South Dakota, western Texas and Wisconsin. Customers in many additional communities in Canada and the northeast, central and western 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 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 two 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) California and western Nevada.
- (3) North Dakota, South Dakota, Iowa, Minnesota, Kansas, western Texas, Nebraska and Wisconsin.
- (4) Delaware, Maryland, New Jersey, New York and Pennsylvania.

Competitive Advantages

Management of AGI estimates that there are several hundred ice companies involved in the ice production and distribution industry in North America, most of which have sales of less than US \$1 million 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 almost 200 years of industry experience. In aggregate, regional management each has an average of 21 years of experience in the packaged ice industry. Production, distribution and sales management personnel each have on average more than 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 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 the second largest producer 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 and western United States. Over the past three years, AGI has generated an average of 76% 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 \$82 million since May 1, 1997, comprised of approximately \$49 million for improving product quality, upgrading facilities, rationalizing operations, expanding market area and assimilating newly acquired operations, approximately \$6 million for corporate infrastructure and technology expenditures and \$27 million for maintenance capital expenditures to maintain production and distribution capacity. As a result of these expenditures, AGI increased margins by over 40% between 1997 and 2006 and has dramatically increased operating efficiencies and internal controls.

As a percent of revenue, capital expenditures totaled 8.6% in 2006, comprised of 2.7% for maintenance capital expenditures, and 5.9% for expenditures related primarily to growth and rationalization.

AGI's management estimates annual sustaining capital expenditures should approximate between 3.0% and 4.0% 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>2004</u>	<u>2005</u>	<u>2006</u>
Strategic and growth expenditures ⁽²⁾	\$10,896,000	\$8,730,000	\$11,450,000
Corporate infrastructure and technology ⁽³⁾	121,000	340,000	1,310,000
Maintenance expenditures	<u>3,015,000</u>	<u>2,559,000</u>	<u>6,006,000</u>
Total	<u>\$14,032,000</u>	<u>\$11,629,000</u>	<u>\$18,766,000</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.
- (3) Primarily represents investment in the computerized hand-held routing and billing system, including for acquired operations, as well as building expansions and investments in accounting software to facilitate the centralization of accounting at AGI's corporate offices in Winnipeg, Manitoba.

Trademarks

The name "Arctic Glacier[®]" and the phrase "Ice Perfection System[®]" are registered trademarks of AGI in Canada and the United States. AGI has registered the trademark "Viva Flam[®]" and the associated flame design in Canada and the United States. Viva Flam[®] and the associated flame design is used in relation to the distribution and sale of packaged wood products.

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.

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.

Business of the Fund

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 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.

Units

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. As at March 1, 2007, there were 38,477,148 Units issued and outstanding. 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

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) came into force. This act creates a statutory limitation on the liability of unitholders of Alberta income trusts such as the Fund. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the Trustees that arises after the legislation comes into effect.

Further, 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.

Further, 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 and the *Income Trust Liability Act* (Alberta), 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 the view of 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, where commercially reasonable, by obtaining appropriate insurance, where available, for the operations of AGI and, where commercially reasonable, 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 Fund has a policy of distributing cash to the holders of Units on a monthly basis. The Fund is currently paying a monthly distribution of \$0.0917 per Unit, or \$1.1004 per Unit on an annualized basis. The Fund intends to continue to make monthly cash distributions. On an annual basis or otherwise, the Fund may augment the normal monthly distribution to account for amounts not previously distributed. Distributions and the distribution policy of the Fund will be reviewed by the Trustees of the Fund and adjusted from time to time to reflect the then current business conditions. See “Distribution History”.

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 Subsidiary Debt and dividends or other distributions on or in respect of Subsidiary 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 Subsidiary Debt or dividends or other distributions on the Subsidiary 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.

Although the Fund generally intends to distribute the interest and dividend income earned by the Fund, 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 the Fund’s subsidiaries and transferred indirectly to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors including the future tax treatment of income trusts, profitability, fluctuations in working capital, the sustainability of margins, capital expenditures, and the actual amounts distributed to the Fund, directly and indirectly, by the Fund’s subsidiaries.

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 the Canadian Depository for Securities Limited (“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 Subsidiary Shares or Subsidiary Debt 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 Subsidiary Debt and distributions paid on the Subsidiary 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. Subsidiary Debt and Subsidiary 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 Subsidiary Debt or Subsidiary Shares and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Holders of Subsidiary Debt will be required to acknowledge that they are subject to subordination agreements. Subsidiary Debt and Subsidiary 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 Trustees 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 Trustees 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 Trustees 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 Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees 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 “Description of the Fund – 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 file and/or furnish to Unitholders, in accordance with applicable securities laws, the audited annual and unaudited quarterly consolidated financial statements of the Fund and other materials as are from time to time required by applicable securities laws. The Fund will also furnish Unitholders with such 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) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders.

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 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.

Compensation of 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 \$30,000 per year and \$2,500 per Trustee/director for attending Board of Trustees'/directors' meetings and \$1,250 per Trustee/director for attending committee meetings where not combined with Board of Trustees'/directors' meetings. Trustees/Directors are entitled to \$750 for attending Board of Trustees'/directors' meetings by telephone. Further, the Chairman of each committee of the Board, other than the Audit Committee, receives an additional \$5,000 per year. The Chairman of the Audit Committee receives an additional \$10,000 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 incentive stock 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 to 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; and
- (e) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws.

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 10% of the issued and outstanding Units from time to time. 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 lower than the 5 day weighted average trading price of the Units on the Toronto Stock Exchange on the 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 permits 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”) also has 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 is 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 DRIP is 95% of the Market Price. The Purchase Price of Units purchased with an Optional Cash Payment is 100% of the Market Price. There are no commissions or brokerage charges payable on the purchase of Units under the DRIP. All administrative costs of the DRIP are 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, through 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 of his or her intention to participate in the DRIP for the Distribution. Residents of Canada are 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 Fund has entered into a Unitholder Rights Plan Agreement dated April 21, 2003 with Computershare Trust Company of Canada as rights agent (the “Unitholder Rights Agreement”) which contains the terms and conditions of the Fund’s Unitholder rights plan (the “Unitholder Rights Plan”). The Board initially approved the adoption of the Unitholder Rights Agreement as of April 21, 2003. The Unitholders initially approved of the Unitholder Rights Agreement at the Unitholder meeting held on May 27, 2003. At the Unitholder’s meeting held on April 27, 2006, the Unitholders ratified the continued existence of the Unitholder Rights Plan Agreement until the close of business on the date of the Fund’s annual meeting of Unitholders in 2011, unless terminated at an earlier date by the Board. 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 acquirer to proceed either by way of Permitted Bid (as defined in the Unitholder Rights Agreement 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 Agreement. The summary is qualified in its entirety by the full text of the Unitholder Rights Agreement which is available on SEDAR at www.sedar.com. A Unitholder may also obtain a copy of the Unitholder Rights Agreement free of charge by contacting the Fund at 625 Henry Avenue, Winnipeg, Manitoba, R3A 0V1.

Description of Rights

The rights (“Rights”) are issued pursuant to the Unitholders Rights Agreement 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 Agreement), subject to adjustments, at any time after the Separation Time (as defined in the Unitholder Rights Agreement 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 Agreement. If a Flip-in Event (as defined in the Unitholders Rights Agreement and described below) occurs, each Right will entitle the holder to purchase from the Fund that number of Units that 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 Expiration Time (as defined in the Unitholder Rights Agreement) is such that the Rights will expire at the close of business on the date of the Fund's annual meeting of Unitholders in 2011, 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 Agreement, 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 Unitholders Rights Agreement or exempted from the application of the Unitholders Rights Agreement 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 that 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; and
- (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 Unitholders 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 Unitholders 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 Unitholders 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 Unitholders Rights Agreement 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 of AGI

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 governing the Subsidiary Debt issued by AGI, 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.

DESCRIPTION OF THE DEBENTURES

The Debentures have been issued under a trust indenture (the “Indenture”) dated May 25, 2006 between the Fund and Computershare Trust Company of Canada (the “Debenture Trustee”). The following is a description of the terms of the Indenture, a copy of which was filed with the Canadian securities regulatory authorities. The following summary of certain provisions of the Indenture is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture.

General

The Debentures were issued under the Indenture. On May 25, 2006, Debentures in an aggregate principal amount of \$100,000,000 were issued. As at March 1, 2007, Debentures in an aggregate principal amount of \$94,120,000 remained outstanding. The aggregate principal amount of Debentures authorized for issue is unlimited. The Fund may, from time to time, without the consent of the holders of the Debentures but subject to the limitations described therein, issue additional debentures of the same series or of a different series under the Indenture.

The outstanding Debentures are dated as May 25, 2006. The Debentures are issuable only in denominations of \$1,000 and integral multiples thereof. The Debentures are due July 31, 2011 (the “Maturity Date”).

The Debentures bear interest at 6.50%, payable semi-annually in arrears on the January 31 and July 31 of each year.

The principal amount of the Debentures is payable in lawful money of Canada or, at the option of the Fund and subject to applicable regulatory approval, by payment of Units. See “Description of the Debentures - Payment upon Redemption or Maturity” and “Description of the Debentures - Redemption and Purchase”. The interest on the Debentures is payable in lawful money of Canada or, at the option of the Fund and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election (as defined in the “Glossary”). See “Description of the Debentures - Interest Payment Option”. Payment of interest to a non-resident holder of Debentures, whether paid in cash or Units, will be subject to Canadian withholding tax.

The Debentures are direct obligations of the Fund and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to other liabilities of the Fund. See “Description of the Debentures - Subordination”. The Indenture does not restrict the Fund from incurring additional indebtedness for borrowed money or other liabilities or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Debentures are convertible at the holder’s option into fully paid and non-assessable Units at any time before the close of business on the earlier of the Maturity Date and the business day immediately preceding the date fixed for redemption at \$12.60, subject to adjustment upon the occurrence of certain events (the “Conversion Price”), being a ratio of approximately 79.365 Units per \$1,000 principal amount of Debentures. No adjustment will be made to the record dates for distributions on Units issuable on conversion of, or interest accrued on, Debentures surrendered for conversion. Holders converting their Debentures will receive accrued and unpaid interest thereon up to, but excluding, the date of conversion. Holders converting their Debentures shall become holders of record of Units of the Fund on the business day immediately after the conversion date. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding January 31 and July 31 in each year, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture provide for the adjustment of the Conversion Price in certain events including:

- (a) the subdivision or consolidation of the outstanding Units;
- (b) the distribution of Units to holders of Units by way of distribution or otherwise, other than an issue of securities to holders of Units who have elected to receive distributions in securities of the Fund in lieu of receiving cash distributions paid in the ordinary course;
- (c) the issuance of options, rights or warrants to holders of Units entitling them to acquire Units or other securities convertible into Units at less than 95% of the then volume-weighted average trading price for the Units on the TSX for the 20 consecutive trading days ending five trading days prior to the applicable event (the “Current Market Price”) of the Units, other than pursuant to the distribution reinvestment plan of the Fund; and
- (d) the distribution to all holders of Units of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course).

There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Fund will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of a reclassification or a capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation or merger of the Fund with or into any other entity, or in the case of a sale or conveyance of the properties and assets of the Fund as, or substantially as, an entirety to

any other entity, or a liquidation, dissolution, winding-up of the Fund or other similar transaction, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution, winding up or other similar transaction, be entitled to receive the number of Units, other securities or consideration such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Units into which the Debenture was convertible immediately prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution, winding up or other similar transaction.

No fractional Units will be issued on any conversion but in lieu thereof the Fund shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Redemption and Purchase

The Debentures are not redeemable on or before July 31, 2009. After July 31, 2009 and on or prior to July 31, 2010, the Debentures may be redeemed in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount (the "Redemption Price") plus accrued and unpaid interest thereon, provided that the Current Market Price of the Units on the date on which notice of redemption is given is not less than 125% of the Conversion Price. After July 31, 2010, the Debentures may be redeemed at any time before the Maturity Date in whole or in part from time to time at the option of the Fund on not more than 60 days' and not less than 30 days' prior notice at a price equal to their principal amount plus accrued and unpaid interest.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable.

The Fund will have the right to purchase Debentures in the market, by tender, or by private contract, provided however, that if an event of default under the Indenture has occurred and is continuing, the Fund or any of its affiliates will not have the right to purchase Debentures by private contract.

Payment upon Redemption or Maturity

On redemption or at maturity, the Fund will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, together with accrued and unpaid interest thereon. The Fund may, at its option, on not more than 60 days and not less than 30 days prior notice, subject to applicable regulatory approval and provided no Event of Default (as defined below) has occurred, elect to satisfy its obligation to pay the Redemption Price of the Debentures which are to be redeemed or the principal amount of the Debentures which are due on maturity, as the case may be, by issuing freely tradeable Units to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, by 95% of the Current Market Price on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Units will be issued on redemption or maturity but in lieu thereof the Fund shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Fund. "Senior Indebtedness" is defined in the Indenture as the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness including indebtedness to trade creditors of the Fund (whether outstanding as at the date of Indenture or thereafter incurred), other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of the Fund which, by the terms of the instrument creating or evidencing the indebtedness, are expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each debenture of the same series of debentures issued under the Indenture will rank *pari passu* with all other present and future subordinated and unsecured indebtedness of the

Fund except for sinking fund provisions (if any) applicable to different series of debentures or similar types of obligations of the Fund.

The Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Fund, then those holders of Senior Indebtedness, including any trade creditors of the Fund, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture also provides that the Fund will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Fund, unless the Senior Indebtedness has been repaid in full.

The Debentures are also effectively subordinate to claims of creditors of each subsidiary of the Fund except to the extent the Fund or one of its other subsidiaries is a creditor of such subsidiary ranking at least *pari passu* with such other creditors.

Priority Over Fund Distributions

The Declaration of Trust provides that certain expenses of the Fund must be deducted in calculating the amount to be distributed to the Unitholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default (as defined below), will be deducted and withheld from the amounts that would otherwise be payable as distributions to Unitholders.

Change of Control of the Fund

Upon an occurrence involving the acquisition by any person, or group of persons acting jointly or in concert, of voting control of or direction over 66 ⅔% or more of the outstanding Units (after giving effect to the conversion or exchange of securities convertible into, exchangeable for or otherwise carrying the right to acquire Units) (“Change of Control”), each holder of Debentures may require the Fund to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the “Put Date”), the whole or any part of such holder’s Debentures at a price equal to 101% of the principal amount thereof (the “Put Price”) plus accrued and unpaid interest to the Put Date. The Indenture contains notification provisions to the following effect: (i) the Fund will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the holders of Debentures notice of the Change of Control, the repayment right of the holders of Debentures and the right of the Fund to redeem untendered Debentures under certain circumstances, and (ii) a holder of Debentures, to exercise the right to require the Fund to purchase its Debentures, must deliver to the Debenture Trustee, not less than five business days prior the Put Date, written notice of the holder’s exercise of such right, together with the Debentures with respect to which the right is being exercised, duly endorsed for transfer.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, the Fund will have the right to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given by the Fund to the Debenture Trustee prior to the Put Date, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase.

Interest Payment Option

From time to time, subject to applicable regulatory approval and provided no Event of Default has occurred, the Fund may make the Unit Payment Interest Election. The Indenture provides that, upon such election, the Debenture Trustee

shall, subject to any applicable securities laws (a) accept delivery from the Fund of Units, (b) accept bids with respect to, and consummate sales of, such Units, each as the Fund shall direct in its absolute discretion, (c) invest the proceeds of such sales in short-term permitted government securities (as defined in the Indenture) that mature prior to the applicable date on which interest on the Debentures is payable (the “Interest Payment Date”) in accordance with the Fund’s obligation to pay interest on the Debentures (the “Interest Obligation”) in accordance with the Indenture, and use the proceeds received from such permitted government securities, together with any proceeds from the sale of Units not invested as aforesaid, to satisfy the Interest Obligation, and (d) perform any other action necessarily incidental thereto.

The Indenture sets forth the procedures to be followed by the Fund and the Debenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a Debentureholder in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the Fund attributable to any fractional Units) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Fund in respect of the Interest Obligation.

Neither the Fund’s making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

Events of Default

The Indenture provides that an event of default (“Event of Default”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect of the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, when due on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (iii) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy or insolvency laws; or (iv) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Fund specifying such default and requiring the Fund to rectify the same. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% in principal amount of the principal amount of Debentures, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over 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 Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as holders of any other series of debentures (collectively, the “holders of debentures”) that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all holders of debentures resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each particularly affected series.

Limitation on Non-Resident Ownership

The Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of the Units, including any Units which are issued upon conversion, redemption or maturity of the Debentures. The Debenture Trustee may, upon receipt of written direction of the Fund, require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Fund becomes aware as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 45% or more of the Units then outstanding, on a fully diluted basis, are, or may be, non-residents or that such a situation is imminent, it shall make a public announcement thereof and shall notify the Debenture Trustee in writing and the Debenture Trustee shall not accept a subscription from or issue or register a transfer of Debentures to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Fund determines that more than 45% of the Units, on a fully diluted basis, assuming conversion of the Debentures are held by non-residents, the Fund shall send a notice to non-resident holders of Debentures, chosen in inverse order to the order of acquisition or registration of the Debentures or in such manner as the Fund may consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not less than 60 days. If the Debentureholders receiving such notice have not sold the specified number of Debentures or provided the Fund with satisfactory evidence that they are not non-residents within such period, the Fund may on behalf of such Debentureholder sell such Debentures, and, in the interim, shall suspend the rights attached to such Debentures. Upon such sale the affected holders shall cease to be holders of Debentures, and their rights shall be limited to receiving the net proceeds of sale upon surrender of such Debentures. The Trustees have similar obligations in respect of the Units which are summarized in this annual information form under the section “Description of the Fund – Limitations on Non-Resident Unitholders.”

Book-Entry System

The Debentures were issued in “book-entry only” form and must be purchased or transferred through a CDS Participant (as defined below). On issuance, the Debenture Trustee caused the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures are evidenced by a single book-entry only certificate. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser’s interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a CDS Participant. Such purchaser will receive a confirmation of purchase from the registered dealer from whom Debentures are purchased.

The Fund does not assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this annual information form and relating to the rules governing CDS or any action to be taken by CDS or at the direction of the broker, dealer, bank, other financial institution or other person for whom, from time to time, CDS effects book-entry for Debentures deposited with CDS (“CDS Participant”). The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and beneficial owners of Debentures must look solely to CDS Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Fund to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to beneficial owners of Debentures in fully registered and certificate form only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) the Fund or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Fund is unable to locate a qualified successor; (d) the Fund, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default (as described under “Description of the Debentures - Events of Default”), CDS Participants acting on behalf of beneficial owners of

Debentures representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of CDS Participants and beneficial owners of Debentures, of the availability through CDS of debenture certificates in fully registered and certificate form. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of debenture certificates in fully registered and certificate form and thereafter the Fund will recognize the holders of such debenture certificates in fully registered and certificate form as holders of debentures under the Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If debenture certificates in fully registered and certificate form are issued, interest will be paid by cheque drawn on the Fund and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-entry only system is in effect. If debenture certificates in fully registered and certificate form are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

RISK FACTORS

An investment in securities of the Fund involves a number of risks and uncertainties. This section describes the general material risks that management of the Fund believes may impact securityholders and/or the Fund. If any of the following risks actually occur, the Fund's business, results of operations and financial condition, and the amount of cash available for distribution to Unitholders, could suffer. Further, the risks described below are not the only risks that the Fund faces. Additional risks not currently known to management of the Fund or that are currently deemed immaterial also may have a negative impact on securityholders and/or the Fund.

Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts

Taxation of SIFTs

On October 31, 2006, Finance announced a "Tax Fairness Plan" which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. On December 15, 2006, Finance released guidelines on certain elements of the Tax Fairness Plan. On December 21, 2006, Finance released draft amendments to the Tax Act to implement some of those changes. These 2006 Proposed Tax Changes generally operate to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to Unitholders. No assurance can be given that the final legislation implementing the 2006 Proposed Tax Changes will be consistent with Finance announcements or that Canadian federal income tax law respecting income trusts and other flow-through entities will not be further changed in a manner which adversely affects the Fund and its Unitholders. To the extent that changes, including the 2006 Proposed Tax Changes, are implemented, such changes could result in material adverse income tax consequences for the Fund and/or certain of its Unitholders. Such adverse tax consequences may impact the future level of cash distributions made by the Fund and, among other things, there can be no assurance that the Fund will be able to maintain its current level of distributions and the current portion of distributions that it treated as a non-taxable return of capital.

The 2006 Proposed Tax Changes will apply to an income trust that is a SIFT. The Fund is a SIFT for purposes of these rules. Generally the application of these rules will be delayed to the 2011 taxation year with respect to Existing Trusts such as the Fund. However, the 2006 Proposed Tax Changes also indicate that there are circumstances under which an Existing Trust may lose its transitional relief, including any "undue expansion" of the Existing Trust. On December 15, 2006, Finance issued guidelines which established objective tests with respect to how much an income trust is permitted

to grow without jeopardizing its transitional relief. Management of AGI does not believe the Fund has taken any actions that alone or in aggregate will cause the Fund to be subject to the 2006 Proposed Tax Changes prior to its 2011 taxation year. **However, no assurance can be provided that the 2006 Proposed Tax Changes will not apply to the Fund prior to 2011.**

The 2006 Proposed Tax Changes may have an adverse impact on the Fund, its Unitholders and the value of the Units and on the ability of the Fund to undertake financings and acquisitions. The effect of the 2006 Proposed Tax Changes on the market for Units is uncertain.

Interest Deductibility

Income fund structures generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted on the Subsidiary Debt. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in the circumstances. If such a challenge were to succeed it could adversely affect the amount of distributable cash available. On October 31, 2003, Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, these proposed amendments may deny the realization of losses by a taxpayer in respect of a business or property in a year if there is no reasonable expectation in that year that the business or property will produce a cumulative profit over the period that the business can reasonably be expected to be carried on or that the property can reasonably be expected to be held by the taxpayer. On February 23, 2005, Finance announced that an alternative proposal will be released for comment at an early opportunity which will address concerns that had been expressed during the consultation process on the "reasonable expectation of profit" test and the potential limitation on deductibility of ordinary commercial expenses. No such legislative proposal has been released to date.

Business Income Trusts

Finance announced proposed amendments to the Tax Act in the March 23, 2004 Budget (the "2004 Budget Proposals") that would affect the income tax consequences of investing in a trust that constitutes a "business income trust" and property that constitutes "restricted investment property" (as those terms are defined for the purposes of the 2004 Budget Proposals). The 2004 Budget Proposals were originally scheduled to apply commencing after 2004. On May 18, 2004, Finance announced that the application of the 2004 Budget Proposals was suspended to allow further consultation with representatives of the pension industry, the investment industry, provincial governments and other interested parties. This position was reiterated by Finance in the press release that accompanied the release of the draft amendments for the 2004 Budget Proposals dated September 16, 2004. On September 19, 2005, Finance, again citing concerns about the increased use of flow-through entities, announced that he had asked the Minister of National Revenue (Canada), and the Minister of National Revenue (Canada) had agreed, to postpone providing advance tax rulings respecting flow-through entity structures during the consultation process, and that Finance was closely monitoring developments in the flow-through entity market with a view to proposing measures in response to the consultations. On November 23, 2005, Finance ended this consultation process and announced a reduction in the personal income tax rate on dividends, through increased dividend gross-up and tax credits. The reduced tax on dividends is intended to make the total tax paid on dividends received from large Canadian corporations more comparable to the tax paid on distributions from income funds. This change was made effective starting in 2006. At the time of the November 23, 2005 announcement, there was no announcement of any tax to be levied on income funds. As a result, it is unlikely that the 2004 Budget Proposals will be enacted although no assurances can be made in this regard. Notwithstanding the foregoing, changes in this area are still possible. Such changes could result in the current income tax considerations for Unitholders being materially different in certain respects. There can be no assurance that the treatment of mutual fund trusts and other flow through entities will not be changed in a manner which adversely affects the Fund and / or its Unitholders.

Non-Resident Ownership of Units

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act ("Non-Residents"). Proposed amendments provide that after December 31, 2004, the Fund must continuously ensure that not more than 50%

of its issued Units are held by Non-Residents or partnerships (other than “Canadian partnerships” as defined in the Tax Act). However on December 6, 2004, Finance indicated that further discussions would be pursued with the private sector concerning the issues which the proposed amendments are intended to address. As a result, it seems unlikely that the proposed amendments will be enacted in their current form although no assurances can be given in this regard. The Fund Declaration of Trust provides that if at any time the Fund becomes aware that the beneficial owners of 45% or more of the Units then outstanding are or may be Non-Residents or that such a situation is imminent, the Fund shall take such action as may be necessary to preserve its status as a mutual fund trust. These measures could be adverse to certain holders of Units, and may not be effective to avoid the Fund losing its status as a mutual fund trust for the purposes of the Tax Act if the proposed amendments are enacted as proposed.

Risks Relating to the Units of the Fund

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

Cash Distributions are Not Guaranteed and will Fluctuate with the Performance of AGI

A return on an investment in Units of the Fund is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions.

Although the Fund intends to make distributions of its available cash to its Unitholders, these cash distributions are not assured and may be reduced or suspended. The ability of the Fund to make cash distributions and the actual amount distributed will be dependant upon, among other things, the financial performance of AGI and its subsidiaries, their debt covenants and obligations, their working capital requirements, their future capital requirements and the future tax treatment of income trusts. In addition, the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant.

It is important for a person making an investment in Units of the Fund to consider the particular risk factors that may affect both the Fund and the industry in which the Fund, through its subsidiaries, operates and which may therefore affect the stability of the cash distributions on the Units of the Fund. See the remainder of the risk factors set out in this section which describes AGI’s assessment of those risk factors, as well as the potential consequences to a Unitholder if a risk should occur. See “Ratings” for a discussion on DBRS’s assessment of the stability and sustainability of the Fund’s distributions.

Dependence Upon AGI

The Fund is an unincorporated open-ended, limited purpose mutual fund trust which is entirely dependent upon the operations and assets of AGI and its subsidiaries. Accordingly, the Fund’s ability to make cash distributions to the Unitholders will be dependent upon the operations and assets of AGI and its subsidiaries and the actual amounts distributed to the Fund, directly and indirectly, by AGI and its subsidiaries.

Return of Capital

The following risk factors are associated with the return of capital:

- cash distributions do not represent a “yield” in the traditional sense as they may represent both return of capital and return on investment;
- a return on an investment in the Fund is not comparable to the return on an investment in a fixed-income security;
- the recovery of initial investment is at risk, and the anticipated return on an investment in the Fund is based on many performance assumptions;
- the actual amount of distributions will depend upon numerous factors including:
 - the ability of AGI to maintain or grow its business;

- changes in the underlying market conditions that may adversely affect the revenue of AGI; and
- any changes in applicable tax regulations that may adversely affect the ability of the Fund to make distributions of its available cash;
- the Fund intends to make distributions of its available cash, however these cash distributions may be reduced or suspended;
- there can be no assurance regarding the amount of income to be generated by the subsidiaries of the Fund and paid to the Fund;
- cash distributions are not guaranteed and will fluctuate with the performance of the Fund's subsidiaries; and
- the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant.

Changes in Legislation

There can be no assurance that the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Fund and its Unitholders. See "Risk Factors – Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts".

Mutual Fund Trust Status

The Fund intends to continue to qualify as a mutual fund trust for purposes of the Tax Act. The Fund may not, however, always be able to satisfy any future requirement for the maintenance of mutual fund trust status. Should the status of the Fund as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Fund and Unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- the Units would cease to be a qualified investment for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (each referred to herein as an "Exempt Plan"). Where, at the end of a month, an Exempt Plan holds Units that cease to be a qualified investment, the Exempt Plan, must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Units at the time such Units were acquired by the Exempt Plan. In addition, trusts governed by a RRSP or a RRIF which hold Units that are not qualified investments will be subject to tax on the income attributable to the Units while they are non-qualified investments, including the full capital gains, if any, realized on the disposition of such Units. Where a trust governed by a RRSP or a RRIF acquires Units that are not qualified investments, the value of the investment will be included in the income of the annuitant for the year of the acquisition. Trusts governed by RESPs which hold Units that are not qualified investments can have their registration revoked by the Canada Revenue Agency;
- the Fund would be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for certain Unitholders, including Non-Resident persons and residents of Canada who are exempt from Part I tax;
- the Fund would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws; and
- Units would become taxable Canadian property. As a result, Non-Resident Unitholders would be subject to Canadian income tax on any gains realized on a disposition of Units held by them.

In addition, the Fund may take certain measures in the future to the extent the Fund believes such measures are necessary to ensure the Fund maintains its status as a mutual fund trust. These measures could be adverse to certain holders of Units.

Structural Subordination of the Units

In the event of a bankruptcy, liquidation or reorganization of the Fund or its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Fund or its subsidiaries before any assets are made available for distribution to the Fund. The Units will be effectively subordinated to most of the indebtedness and other liabilities of the Fund and its subsidiaries. Neither the Fund nor its subsidiaries will be limited in their ability to incur secured or unsecured indebtedness.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Subsidiary Debt or Subsidiary 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 Subsidiary Debt or Subsidiary Shares. Cash redemptions are subject to limitations. See “Description of The Fund — Redemption Right”.

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 are the Subsidiary Debt and Subsidiary Shares it holds in AGI and NSULC. **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 securities and/or obligations of the Fund or held by the Fund directly to the Unitholders, subject to obtaining any required regulatory approvals. Such securities and/or obligations 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

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) came into force. This act creates a statutory limitation on the liability of unitholders of Alberta income trusts such as the Fund. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the Trustees that arises after the legislation comes into effect.

Further, 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.

Further, 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 and the *Income Trust Liability Act* (Alberta), 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 the view of 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, where commercially reasonable, by obtaining appropriate insurance, where available, for the operations of AGI and, where commercially reasonable, having written agreements signed by or on behalf of the Fund include a provision that such obligations are not binding upon Unitholders personally.

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. Additional Units issued by the Fund may be dilutive to 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.

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 will 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 of AGI, 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.

Risks Relating to the Debentures of the Fund

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

Investment Eligibility

The Fund will endeavour to ensure that the Debentures (and the Units issuable upon conversion of the Debentures) continue to be qualified investments for Exempt Plans. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

A Subsidiary Share, Subsidiary Debt or other property received as a result of redemption of Units may not be a qualified investment for an Exempt Plan which could give rise to adverse consequences to an Exempt Plan or the annuitant under the Exempt Plan.

Prior Ranking Indebtedness

The Debentures rank *pari passu* with any indebtedness that is not Senior Indebtedness and are subordinate to all Senior Indebtedness, including debt owed to trade creditors of the Fund. The Debentures are also effectively subordinate to claims of creditors of each subsidiary of the Fund except to the extent the Fund is directly, or indirectly through one of its

other subsidiaries, a creditor of such subsidiary ranking at least pari passu with such other creditors. See “Description of Debentures — Subordination”.

Absence of Covenant Protection

The Indenture does not restrict the Fund or any of its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. The Indenture does not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Fund or any of its subsidiaries.

Redemption Prior to Maturity

The Debentures may be redeemed, at the option of the Fund, at any time and from time to time after July 31, 2009, at the redemption prices set for the under “Description of the Debentures – Redemption and Purchase”, together with any accrued and unpaid interest. Holders of Debentures should assume that this redemption option will be exercised if the Fund is able to refinance at a lower interest rate or it is otherwise in the interest of the Fund to redeem the Debentures.

Inability to Fund Purchase of Debentures

The Fund is required to offer to purchase all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Fund will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. See “Description of Debentures — Change of Control of the Fund”.

Dilutive Effects on Holders of Units

The Fund may issue Units in connection with the conversion, redemption or repayment of the Debentures. Accordingly, holders of Units may suffer dilution.

Conversion Right Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become exchangeable for securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debenture was exchangeable immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future.

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 may have certain floating rate loans and may be negatively impacted by increases in interest rates, the effect of such increases 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 sales, earnings and cash flows 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. AGI maintains "key man" insurance on certain members of its senior management. Key man insurance coverage of \$2,000,000 has been obtained for Keith McMahan while interim key man insurance coverage of \$1,000,000 has been obtained for Frank Larson pending processing of that insured party's medical information. The extensive medical evaluation requirements of the application process were completed in January by Mr. Larson and the remainder of the underwriting process is now being completed. It is intended that a \$2,000,000 coverage limit be obtained for Mr. Larson. Benefits, in the event of death of either Mr. McMahan or Mr. Larson, will be paid to AGI in order to reimburse costs associated with the impact of the death of these senior executives.

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 New Markets in the United States

AGI views markets in Canada and the United States that it does not currently service as potential markets for expansion of AGI's business. The continuing expansion into new markets in 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.

Limitations on the Fund's Subsidiaries to Utilize Their Tax Assets

As of December 31, 2006, the subsidiaries of the Fund had net operating loss carry-forwards for U.S. federal income tax purposes of approximately U.S. \$28.6 million, of which approximately U.S. \$0.7 million was attributable to entities acquired by subsidiaries of the Fund. Also as of December 31, 2006, the subsidiaries of the Fund had net operating loss carry-forwards for Canadian federal income tax purposes of approximately \$11.4 million. There are annual limitations on the utilization of the net operating loss carry-forwards generated by subsidiaries of the Fund due to changes in ownership. There can be no assurance that the subsidiaries of the Fund will be able to utilize their tax assets. If the subsidiaries of the Fund are not able to utilize their tax assets in the manner or in the timeframe that management of AGI anticipates, their future after-tax cash flow available for payment of distributions on the Fund's Units may be reduced.

Lack of Written Customer Agreements

As is customary in its industry, AGI does not generally have written agreements with their customers. As a result, these customers can terminate their relationship with AGI at any time without notice or penalty. In addition, even if these customers should decide to continue their relationship with AGI, there can be no guarantee that these customers will purchase the same amount of product as in the past, or that purchases will be on similar terms. Any loss of a significant customer, change in the terms of the relationship with a significant customer or a material decrease in the amount of products purchased by a significant customer could have a material adverse affect on the business, results of operation and financial condition of AGI and the Fund.

Debt Financing

As at December 31, 2006, AGI had outstanding indebtedness of \$186,063,000, of which \$185,649,000 was principal payments and debt maturing within five years or less. In addition, approximately 35% 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 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.

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.

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.

MANAGEMENT

Trustees of the Fund

The following table sets forth the name, municipality of residence, office held with the Fund, current principal occupation, and the approximate number of Units of the Fund beneficially owned or controlled as of March 1, 2007 of each of the current Trustees of the Fund.

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>	<u>Units Beneficially Owned or Controlled</u>
James E. Clark ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Vancouver, BC	Non-Executive Chairman of the Board and Trustee	Non-Executive Chairman of the Board, Trustee and director of AGI. President, director and sole shareholder of Jecco Properties Ltd. and Moray Channel Enterprises Ltd.	263,125 (less than 1%)
Robert J. Nagy ⁽⁴⁾ Calgary, Alberta	Vice-Chairman and Trustee	Vice-Chairman, Trustee and director of AGI.	1,273,067 (3.3%)
Gary A. Filmon ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Winnipeg, Manitoba	Trustee	Trustee and director of AGI. Chairman of The Exchange Industrial Income Fund and Chairman of Canada's Security and Intelligence Review Committee.	16,618 (less than 1%)
David R. Swaine ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Charlotte, North Carolina	Trustee	Trustee and director of AGI. President of Roynat Business Capital Inc.	1,082 (less than 1%)

Notes:

- (1) Member of the Audit Committee. For further details on the Audit Committee, please refer to the section entitled "Audit Committee".
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Elected to serve until the 2007 annual meeting of unitholders unless re-elected at that meeting to serve for a further one year term.

Directors of AGI

The following table sets forth the name, municipality of residence, office held with AGI, current principal occupation, and the approximate number of Units of the Fund beneficially owned or controlled as of March 1, 2007 of each of the current directors of AGI.

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>	<u>Units Beneficially Owned or Controlled</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, director and sole shareholder of Jecco Properties Ltd. and Moray Channel Enterprises Ltd.	263,125 (less than 1%)
Robert J. Nagy Calgary, Alberta	Vice-Chairman and Director	Vice-Chairman, Trustee and director of AGI.	1,273,067 (3.3%)
Gary A. Filmon Winnipeg, Manitoba	Director	Trustee and director of AGI. Chairman of The Exchange Industrial Income Fund and Chairman of Canada's Security and Intelligence Review Committee.	16,618 (less than 1%)

<u>Name and Municipality of Residence</u>	<u>Current Office</u>	<u>Principal Occupation</u>	<u>Units Beneficially Owned or Controlled</u>
David R. Swaine Charlotte, North Carolina	Director	Trustee and director of AGI. President of Roynat Business Capital Inc.	1,082 (less than 1%)
Richard L. Johnson Captain Cook, Hawaii	Director	Director of AGI.	364,583 (less than 1%)

Executive Officers of AGI

The following table outlines the name, municipality of residence, office held with AGI, current principal occupation, and the number of Units of the Fund beneficially owned or controlled as of March 1, 2007 of each 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>	<u>Units Beneficially Owned or Controlled</u>
Keith W. McMahon East St. Paul, Manitoba	President and Chief Executive Officer	President and Chief Executive Officer of AGI	17,916 (less than 1%)
Douglas A. Bailey Winnipeg, Manitoba	Chief Financial Officer	Chief Financial Officer of AGI.	10,000 (less than 1%)
Hugh A. Adams Winnipeg, Manitoba	Secretary	Secretary, Senior Corporate Counsel, Tapper Cuddy LLP, Barristers and Solicitors, Winnipeg, Manitoba.	4,266 (less than 1%)

As of March 1, 2007, 1,950,657 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 5.07% of the issued and outstanding Units of the Fund.

Biographies

Set out below are brief profiles of each of the current Trustees of the Fund and the current directors and executive officers of AGI, and of each of the individuals to be nominated for election as a Trustee of the Fund and as a director of AGI at the annual meeting of unitholders to be held April 26, 2007. Other than as set out below, each individual 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/Director. 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, director and sole shareholder 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.

Robert J. Nagy, Vice-Chairman and Trustee/Director. Mr. Nagy has been the Vice-Chairman of the Board of the Fund and AGI since December 29, 2006. Mr. Nagy was the President and Chief Executive Officer of the Fund from January 22, 2002 until his retirement from management on December 29, 2006 and he has been a Trustee of the Fund since January 22, 2002. Mr. Nagy was the Chief Executive Officer of AGI from March 1, 1996 until December 29, 2006 and has been 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 on August 22, 2002. Mr. Nagy was Chairman of the Board of the Fund and AGI from January 22, 2002 until May 27, 2003.

The Honourable Gary A. Filmon, P.C., Trustee/Director. Mr. Filmon has been a Trustee of the Fund since January 22, 2002 and a Director of AGI since May 25, 2000. Mr. Filmon was Vice Chairman of the Fund and AGI from May 27, 2003 until December 29, 2006. Mr. Filmon is the Chairman and a trustee of the Exchange Industrial Income Fund, lead independent director and trustee of Pollard Banknote Income Fund and a director of Manitoba Telecom Services Inc., Wellington West Capital Inc. and Canadian Natural Resources Limited and is the Chairman of Canada's Security and Intelligence Review Committee. Mr. Filmon was Premier of the Province of Manitoba from 1988 to 1999.

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.

David R. Swaine, Trustee/Director. 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.

Keith W. McMahon, President and Chief Executive Officer. Mr. McMahon has been the President and Chief Executive Officer of AGI since December 29, 2006. Mr. McMahon was the Executive Vice President and Chief Financial Officer of AGI from April 2003 until December 29, 2006, and was Chief Financial Officer of AGI from April 17, 2001 until December 29, 2006. Mr. McMahon is a member of the Institute of Chartered Accountants of Manitoba.

Douglas A. Bailey, Chief Financial Officer. Mr Bailey has been the Chief Financial Officer of AGI since December 29, 2006. Prior thereto, Mr. Bailey was the Vice President of Accounting and Corporate Controller of AGI from October 6, 2003 to December 29, 2006. Mr. Bailey 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 LLP, 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 directors and officers, respectively.

INTEREST OF MANAGEMENT AND OTHERS 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

Units

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:

	<u>Price Range</u>		<u>Volume Traded</u>
	<u>High (\$)</u>	<u>Low (\$)</u>	
2006			
January	10.90	10.46	1,656,589
February.....	10.80	10.10	2,573,323
March.....	11.50	10.85	1,255,333
April	11.40	10.49	1,204,700
May.....	11.28	10.50	2,131,530
June.....	11.95	11.00	1,898,828
July	12.95	11.80	1,974,057
August	13.50	12.68	2,594,218
September.....	13.39	12.30	1,874,731
October	13.89	13.21	2,858,222
November	12.44	10.31	4,869,664
December.....	13.25	10.80	<u>1,885,297</u>
Total for Period			<u>26,776,492</u>

	<u>Price Range</u>		<u>Volume Traded</u>
	<u>High (\$)</u>	<u>Low (\$)</u>	
2007			
January	13.65	12.25	2,072,808
February.....	13.18	12.26	<u>2,887,373</u>
Total for Period			<u>4,960,181</u>

Debentures

The Debentures of the Fund are listed and posted for trading on the TSX under the trading symbol “AG.DB”. The following table sets forth the reported high and low sales prices and the volume traded and value traded for the Debentures as reported by the TSX for the periods indicated:

	<u>Price Range</u>		<u>Volume Traded</u>	<u>Value Traded (\$)</u>
	<u>High (\$)</u>	<u>Low (\$)</u>		
2006				
May ⁽¹⁾	98.00	95.00	55,500	5,393,047
June.....	100.45	97.00	174,900	17,317,783
July	104.00	100.00	122,480	12,356,198
August.....	107.50	103.00	150,890	15,961,740
September.....	106.50	104.00	84,270	8,818,318
October	109.00	102.17	58,040	6,246,377
November	102.74	97.00	94,430	9,443,283
December.....	105.16	100.00	<u>39,690</u>	<u>4,077,320</u>
Total for Period			<u>780,200</u>	<u>79,614,066</u>
2007				
January.....	108.00	103.27	21,810	2,274,685
February.....	107.00	104.21	<u>23,970</u>	<u>2,514,424</u>
Total for Period			<u>45,780</u>	<u>4,789,109</u>

Note:

- (1) The Debentures commenced trading on the TSX on May 25, 2006.

DISTRIBUTION HISTORY

The Fund has a policy of distributing cash to the holders of Units on a monthly basis. The Fund is currently paying a monthly distribution of \$0.0917 per Unit, or \$1.1004 per Unit on an annualized basis. The Fund intends to continue to make monthly cash distributions. On an annual basis or otherwise, the Fund may augment the normal monthly distribution to account for amounts not previously distributed. Distributions and the distribution policy of the Fund will be reviewed by the Trustees of the Fund and adjusted from time to time to reflect the then current business conditions. 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 March 31, 2007 are as follows:

<u>Distribution Period</u>	<u>Payment Date</u>	<u>Amount of Distribution</u>	<u>Taxable Portion of Distribution per Unit⁽¹⁾</u>
2002			
March 22 – April 30	May 15, 2002	\$0.11500 per Unit	\$0.06008
May	June 14, 2002	\$0.08750 per Unit	\$0.04656
June	July 15, 2002	\$0.08750 per Unit	\$0.04505
July	August 15, 2002	\$0.08750 per Unit	\$0.04655
August	September 13, 2002	\$0.08750 per Unit	\$0.04655
September	October 15, 2002	\$0.08750 per Unit	\$0.04504
October	November 15, 2002	\$0.08750 per Unit	\$0.04654
November	December 13, 2002	\$0.08750 per Unit	\$0.04504
December	January 15, 2003	<u>\$0.08750 per Unit</u>	<u>\$0.04654</u>
Totals for Period		<u>\$0.81500 per Unit</u>	<u>\$0.42795</u>

<u>Distribution Period</u>	<u>Payment Date</u>	<u>Amount of Distribution</u>	<u>Taxable Portion of Distribution per Unit⁽¹⁾</u>
2003			
January	February 14, 2003	\$0.08920 per Unit	\$0.05600
February	March 14, 2003	\$0.08920 per Unit	\$0.05058
March	April 15, 2003	\$0.08920 per Unit	\$0.05600
April	May 15, 2003	\$0.08920 per Unit	\$0.05419
May	June 13, 2003	\$0.08920 per Unit	\$0.05600
June	July 15, 2003	\$0.08920 per Unit	\$0.04635
July	August 15, 2003	\$0.08920 per Unit	\$0.04789
August	September 15, 2003	\$0.08920 per Unit	\$0.04789
September	October 15, 2003	\$0.08920 per Unit	\$0.04635
October	November 14, 2003	\$0.08920 per Unit	\$0.03769
November	December 15, 2003	\$0.08920 per Unit	\$0.03647
December	January 15, 2004	<u>\$0.08920 per Unit</u>	<u>\$0.03767</u>
Totals for Period		<u>\$1.07040 per Unit</u>	<u>\$0.57308</u>
2004			
January	February 13, 2004	\$0.08920 per Unit	\$0.05779
February	March 15, 2004	\$0.08920 per Unit	\$0.05405
March	April 15, 2004	\$0.08920 per Unit	\$0.05776
April	May 14, 2004	\$0.08920 per Unit	\$0.05588
May	June 15, 2004	\$0.08920 per Unit	\$0.05773
June	July 15, 2004	\$0.08920 per Unit	\$0.05585
July	August 13, 2004	\$0.08920 per Unit	\$0.05770
August	September 15, 2004	\$0.08920 per Unit	\$0.05768
September	October 15, 2004	\$0.08920 per Unit	\$0.05581
October	November 15, 2004	\$0.08920 per Unit	\$0.05765
November	December 15, 2004	\$0.08920 per Unit	\$0.05577
December	January 14, 2005	<u>\$0.08920 per Unit</u>	<u>\$0.05762</u>
Totals for Period		<u>\$1.07040 per Unit</u>	<u>\$0.68129</u>
2005			
January	February 15, 2005	\$0.08920 per Unit	\$0.05580
February	March 15, 2005	\$0.08920 per Unit	\$0.05038
March	April 15, 2005	\$0.09170 per Unit	\$0.05578
April	May 13, 2005	\$0.09170 per Unit	\$0.05395
May	June 15, 2005	\$0.09170 per Unit	\$0.05574
June	July 15, 2005	\$0.09170 per Unit	\$0.05392
July	August 15, 2005	\$0.09170 per Unit	\$0.05570
August	September 15, 2005	\$0.09170 per Unit	\$0.05569
September	October 14, 2005	\$0.09170 per Unit	\$0.05103
October	November 15, 2005	\$0.09170 per Unit	\$0.06300
November	December 15, 2005	\$0.09170 per Unit	\$0.06099
December	January 13, 2006	<u>\$0.09170 per Unit</u>	<u>\$0.06278</u>
Totals for Period		<u>\$1.09540 per Unit</u>	<u>\$0.67476</u>
2006			
January	February 15, 2006	\$0.09170 per Unit	\$0.05456
February	March 15, 2006	\$0.09170 per Unit	\$0.04927
March	April 17, 2006	\$0.09170 per Unit	\$0.05454
April	May 15, 2006	\$0.09170 per Unit	\$0.05277
May	June 15, 2006	\$0.09170 per Unit	\$0.04609
June	July 14, 2006	\$0.09170 per Unit	\$0.04260
July	August 15, 2006	\$0.09170 per Unit	\$0.04401
August	September 15, 2006	\$0.09170 per Unit	\$0.04400
September	October 13, 2006	\$0.09170 per Unit	\$0.04256
October	November 15, 2006	\$0.09170 per Unit	\$0.04361
November	December 15, 2006	\$0.09170 per Unit	\$0.04289
December	January 15, 2007	<u>\$0.09170 per Unit</u>	<u>\$0.04431</u>
Totals for Period		<u>\$1.10040 per Unit</u>	<u>\$0.56121</u>

<u>Distribution Period</u>	<u>Payment Date</u>	<u>Amount of Distribution</u>	<u>Taxable Portion of Distribution per Unit</u> ⁽¹⁾
2007			
January	February 15, 2007	\$0.09170 per Unit	(2)
February	March 15, 2007	\$0.09170 per Unit	(2)
March	April 13, 2007	\$0.09170 per Unit	(2)
Totals for Period		<u>\$0.27510 per Unit</u>	

Notes:

- (1) The after-tax return to Unitholders from an investment in Units will depend, in part, on the composition for income tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. That composition may change over time, thus affecting a Unitholder's after-tax return. On October 31, 2006 and December 21, 2006, Finance released the 2006 Proposed Tax Changes. As currently drafted, the 2006 Proposed Tax Changes do not change the tax treatment of distributions that are paid as a return of capital by SIFTs but there can be no assurance that the final legislation implementing the 2006 Proposed Tax Changes will maintain such tax treatment. See "Risk Factors – Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts – Taxation of SIFTs."
- (2) The taxable portion of the distributions per Unit for 2007 will be determined early in 2008.

LEGAL PROCEEDINGS OR REGULATORY ACTIONS

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

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are KPMG LLP, Chartered Accountants, of Winnipeg, Manitoba.

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

MATERIAL CONTRACTS

Other than as set out in the list below, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to the Fund or AGI that were entered in to within the most recently completed financial year, or before the most recently completed financial year but that are still in effect:

1. The Declaration of Trust. See "Organizational Structure - Overview".
2. The Indenture. See "Description of the Debentures".
3. The underwriting agreement among the Fund, AGI and certain underwriters dated effective May 10, 2006 with respect to the issue and sale of 4,673,000 subscription receipts of the Fund and the Debentures. See "Recent Developments – California Ice Acquisition".
4. The underwriting agreement among the Fund, AGI and certain underwriters dated effective January 18, 2007 with respect to the issue and sale of 5,350,000 Units of the Fund. See "Recent Developments – Equity Financing".

INTERESTS OF EXPERTS

Audited financial statements for the Fund for the financial years ended December 31, 2006 and 2005 have been included in filings made by the Fund under National Instrument 51-102 during or relating to the Fund's most recently completed financial year or during or relating to the Fund's current financial year. The firm which conducted the audits and signed the audit reports on the aforementioned financial statements of the Fund was KPMG LLP, Chartered Accountants, of Winnipeg, Manitoba. KPMG LLP is independent of the Fund in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Manitoba.

AUDIT COMMITTEE

Audit Committee Charter

A copy of the charter of the Audit Committee is attached as Schedule A to this annual information form.

Audit Committee Composition

The Audit Committee consists of Gary A. Filmon, James E. Clark, and David R. Swaine. Each member of the Audit Committee is independent and financially literate, as such terms are defined in Multilateral Instrument 52-110 – Audit Committees.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below.

The Honourable Gary A. Filmon, P.C., O.M. is the Chairman of the Audit Committee. Mr. Filmon was Premier of the Province of Manitoba from May 1988 to October 1999, and chaired the Province's Treasury Board for five years during this period. Mr. Filmon was also President of Success Commercial College for 11 years. He is currently a Corporate Director and business consultant. He is a director of Wellington West Capital Inc. and Manitoba Telecom Services Inc. He is also Chairman and a trustee of the Exchange Industrial Income Fund, lead independent director and trustee of Pollard Banknote Income Fund and a director of Canadian Natural Resources Limited. He serves on the audit committee of each of the latter three publicly listed companies. In Mr. Filmon's various roles he has necessarily actively supervised persons engaged in preparing, auditing, analyzing or evaluating various types of financial statements. Responsibility for oversight and supervision of provincial budgets and financial reporting combined with practical business knowledge and expertise acquired in the course of his participation in a complex business public company environment affirm his financial literacy as contemplated by Multilateral Instrument 52-110 – Audit Committees.

Mr. Clark graduated in 1970 from the University of Calgary with a Bachelor of Commerce Degree (Honours). He then articulated with the firm of Deloitte and Touche, obtaining his chartered accountant's designation in 1971. Mr. Clark in his various roles, either as a C.A. with Deloitte and Touche or in his other active business enterprises as President and director of Jecco Properties Ltd. (a real estate development and investment company) or President and director of Moray Channel Enterprises Ltd. (a marina development and management company) has necessarily actively supervised persons engaged in preparing, auditing, analyzing or evaluating various types of financial statements affirming his financial literacy as contemplated by Multilateral Instrument 52-110 – Audit Committees.

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. Throughout Mr. Swaine's 38 year banking career he has been responsible for analysis of business and financing proposals including the analysis of and financial statement interpretation of various types of businesses. From 1994-2003 he was Executive Vice President and Chief Operating Officer of Roynat Inc. In that role he was a member of the Senior Credit Committee and responsible for reviewing and approving investment credits from \$4 million to \$25 million or in the case of larger credits recommending to a higher authority. Since 2003, as President and Chief Operating Officer of Roynat's US companies (Roynat Business Capital & Roynat Merchant Capital), he has responsibility for all financing proposals emanating from the US including analysis, review of financial statements and structure of proposed transactions. With his approval further transactional analysis is completed and then submitted to the senior credit committee for further consideration. Mr. Swaine is a member of that committee and participates in the decision making process. Mr. Swaine obtained his Bachelor of Business Administration (cum laude) from St. Francis Xavier University in 1967.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Fund or its subsidiary entities by its external auditors or the external auditors of the Fund's subsidiary entities.

External Auditor Service Fees

The aggregate amounts paid or accrued by the Fund with respect to fees payable to KPMG LLP, the auditors of the Fund, for audit (including separate audits of subsidiary entities, financings and regulatory reporting requirements), audit-related, tax and other services in the fiscal years ended December 31, 2005 and 2006 were as follows:

	<u>2005</u>	<u>2006</u>
Audit fees ⁽¹⁾	\$366,800	\$394,600
Audit-related fees ⁽²⁾	\$105,771	\$648,250
Tax fees ⁽³⁾	\$211,800	\$589,900
All other fees ⁽⁴⁾	nil	nil
TOTAL	\$684,371	\$1,632,750

Notes:

- (1) "Audit fees" include the aggregate professional fees paid to KPMG LLP for the audit of the annual consolidated financial statements and other regulatory audits and filings.
- (2) "Audit-related fees" include the aggregate fees paid to KPMG LLP for services related to due diligence on potential and completed acquisitions.
- (3) "Tax fees" include the aggregate fees paid to KPMG LLP for preparation of applicable federal income tax, state income tax, capital tax and trust returns, tax compliance and tax advisory services.
- (4) "All other fees" include the aggregate fees paid to KPMG LLP for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including namely financial advisory services.

The Audit Committee of the Fund considered and agreed that the above fees are compatible with maintaining the independence of the Fund's auditors. Further, the Audit Committee determined that, in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to the Fund by KPMG LLP and in such case, only with the prior approval of the Audit Committee.

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.

SCHEDULE A**CHARTER OF THE AUDIT COMMITTEE**

1. General

The Board of Trustees of the Fund (the "Board") has established an Audit Committee (the "Committee") to take steps on its behalf as are necessary to assist the Board in fulfilling its oversight responsibilities regarding:

- (a) the integrity of the Fund's financial statements;
- (b) the internal control systems of the Fund;
- (c) the external audit process;
- (d) the internal audit and assurance process;
- (e) risk management;
- (f) investment opportunities and the raising of funds by the Fund;
- (g) the administration, financial reporting and investment activities of pension plan(s);
- (h) the Fund's compliance with legal and regulatory requirements, and
- (i) any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Members

The Board will in each year appoint a minimum of three (3) directors as members of the Committee. All members of the Committee shall be non-management trustees. In addition, the Committee will have an appropriate representation of independent trustees, as required by law.

All members of the Committee shall be financially literate. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund's financial statements.

The Chief Executive Officer ("CEO") of Arctic Glacier Inc. ("AGI") and, to the extent the Chair of the Board is not otherwise a member of the Committee, the Chair, and all other trustees who are not members of the Committee may be invited to attend all meetings of the Committee in an ex-officio capacity but shall not vote. The CEO shall not attend in-camera sessions.

3. Duties

The Committee shall have the following duties:

(a) Financial Reporting and Disclosure

- 1. Audited Annual Financial Statements: Review the audited annual financial statements, all related management discussion and analysis ("MD&A"), and earnings press releases for submission to the Board for approval.
- 2. Quarterly Review: Following their review by the external auditor, review the quarterly financial statements, the related MD&A, and earnings press releases for submission to the Board for approval.
- 3. Significant Accounting Principles and Disclosure Issues: Review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be

undertaken with a view to understanding their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Fund's financial position and the results of its operations in accordance with Canadian GAAP.

4. Compliance: Confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with.
5. Legal Events: Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Fund's financial statements, and the manner in which these have been disclosed in the financial statements.
6. Off-Balance-Sheet Transactions: Discuss with management the effect of any off-balance-sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Fund's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.
7. Other Disclosures: Satisfy itself that adequate procedures are in place for the review of the Fund's public disclosure of financial information, other than the public disclosure of the information referred to in sections 1 and 2 above, and periodically assess the adequacy of those procedures.

(b) Oversight of Internal Controls

8. Review and Assessment: Review and assess the adequacy and effectiveness of the Fund's system of internal control and management information systems through discussions with management, the Chief Internal Auditor ("IA"), and the external auditor.
9. Oversight: Oversee system of internal control, by
 - Monitoring and reviewing policies and procedures for internal accounting, internal audit, financial control and management information;
 - Consulting with the external auditor regarding the adequacy of the Fund's internal controls;
 - Reviewing with management its philosophy with respect to internal controls and, on a regular basis, all significant control-related findings together with management's response; and
 - Obtaining from management adequate assurances that all statutory payments and withholdings have been made.
10. Fraud: Oversee investigations of alleged fraud and illegality relating to the Fund's finances.
11. Complaints: Review with management that appropriate procedures exist for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.

(c) External Audit

12. Appointment or Replacement: Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the unitholders for their approval.
13. Compensation: Review with management, and make recommendations to the Board, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality

of internal controls, the size, complexity and financial condition of the Fund, and the extent of internal audit and other support provided by the Fund to the external auditor.

14. Reporting Relationships: The external auditor will report directly to the Committee.
15. Performance: Review with management, on a regular basis, the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external auditor.
16. Transition: Review management's plans for an orderly transition to a new external auditor, if required.
17. Audit Plan: Review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, frauds or other illegal acts.
18. Audit Plan Changes: Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.
19. Review of Results: Review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
20. Disagreements with Management: Resolve any disagreements between management and the external auditor regarding financial reporting.
21. Material Written Communications: Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
22. Interim Financial Statements: Engage the external auditor to review all interim financial statements and review, in the absence of management, the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A.
23. Other audit matters: Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.
24. Meeting with External Auditor: Meet with the external auditor in the absence of management at least quarterly to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
25. Correspondence: Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Fund's financial statements or accounting policies.
26. Independence: At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Fund, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been

assigned to the Fund, and consider whether it is appropriate to recommend to the Board a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.

27. Non-Audit/Audit Services: Pre-approve any non-audit services to be provided to the Fund by the external auditor, with reference to compatibility of the service with the external auditor's independence.
28. Hiring Policies: Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

(d) Internal Audit and the Provision of Assurance

29. Chief Internal Auditor (“IA”): Review and approve the appointment, replacement or dismissal of the IA. The IA reports to the Executive Vice President and Chief Financial Officer (“CFO”) of AGI administratively and to the Committee functionally.
30. Assurance Activities: Review with management and the IA the mandate, staffing, plans, activities, and results of the Fund's assurance providers to gain reasonable assurance that their activities are appropriately comprehensive, effective and coordinated with the external auditor.
31. Assurance Findings: Discuss the impact of any significant assurance findings, together with the appropriateness of management's response, on the adequacy and effectiveness of the Fund's system of internal control.
32. Meeting: Meet with the IA in the absence of management at least annually to discuss and review specific issues as appropriate as well as any significant matters that the IA may wish to bring to the Committee for its consideration, including a discussion of any restrictions or limitations placed on the IA with respect to scope of work or access to required information.

(e) Risk Management

33. Adequacy of Policies and Procedures: Review and assess the adequacy of the Fund's risk management policies and procedures with regard to identification of the Fund's principal risks annually. Review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board.

(f) Financial Planning and Investments

34. Business Plan: Review and recommend the Business Plan, including the annual Operating and Capital Budgets for submission to the Board for approval. Review periodic financial forecasts.
35. Investment Opportunities: Review and assess investment opportunities of a value exceeding management's authority, in accordance with procedures established by the Board from time to time.
36. Guidelines and Policies: Review and approve guidelines and policies for the investing of cash and marketable securities and review reports from management on the results of such investments against established benchmarks.
37. Additional Funds for Investment: Review and assess management's plans with respect to raising additional funds whether through debt or capital, in accordance with procedures established by the Board from time to time.

(g) Retirement/Pension Plan

38. Oversight: Review and assess management's reports on retirement/pension plan oversight including:
- a) Review management controls and processes with respect to the administration of investment activities, financial reporting and funding of the plan(s).
 - b) Confirm the following appointments for the management of the plan(s), subject to exceptions where the appointment authority is assigned to another party as per plan documents:
 - Auditor
 - Trustee
 - Fund Manager
 - c) Review the actuarial assumptions used for the valuation, including the rate of return on investments and the discount rate used to arrive at the funding requirements.
 - d) Review and approve the plan(s) investment objectives and guidelines annually and amend if necessary.
 - e) Review the investment performance of the funds and the investment managers, and their compliance with the investment objectives and guidelines and applicable legislation.
 - f) Review and approve the annual audited financial statements of the plan(s).

(h) Distribution Reinvestment Plan:

39. Report to the Board on all matters relating to the Distribution Reinvestment Plan (the “DRIP”);
40. Interpret and administer the DRIP;
41. Establish, amend and rescind any rules and regulations relating to the DRIP;
42. Make determinations that are deemed necessary or desirable for the administration of the DRIP; and
43. Correct any deficiency, inconsistency or omission in the DRIP.

(i) Compliance

44. Filings with Regulatory Authorities: Review with management the Fund's relationship with regulators, and the timeliness and accuracy of Fund filings with regulatory authorities.
45. Employee Code of Conduct: Review the Fund's Employee Code of Conduct and confirm that adequate and effective systems are in place to enforce compliance. Ensure the Employee Code of Conduct is disclosed in the Fund's annual report or information circular at least every three years or following a material amendment. Alternatively, confirm with management that an up-to-date version of the Employee Code of Conduct is disclosed on the Fund's website.

(j) Communication

46. Communication Channels: Establish and maintain direct communication channels with management, the IA, the external auditor and the Board to discuss and review specific issues as appropriate.
47. Coordination with Management: The Committee will coordinate with management on audit and financial matters, and will:

- Meet privately with management at least quarterly to discuss any areas of concern to the Committee or management; and
- Review annually, expenses incurred by the Chair of the Board and Chief Executive Officer (“CEO”) of AGI. Ensure that the CEO reviews all expenses incurred by direct executive reports of the CEO.

(k) Related Party Transactions

48. Related Party Transactions: Review with management all related party transactions and the development of policies and procedures related to those transactions.

(l) Board Relationship and Reporting

49. Adequacy of Charter: Review and assess the adequacy of the Committee Charter annually and submit such amendments as the Committee proposes to the Governance Committee.
50. Disclosure: Oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Fund's annual information form and all other applicable disclosure documents.
51. Reporting: Report regularly to the Board on Committee activities, issues and related recommendations.

4. Chair

The Board will in each year appoint the Chair of the Committee. The Chair shall have accounting or related financial expertise. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

5. Meetings

The Committee shall meet at the request of its Chair, but in any event it will meet at least four times a year. Notices calling meetings shall be sent to all Committee members, to the CEO and CFO of AGI, to the Chair of the Board and to all other trustees. Any member of the Committee may call a meeting of the Committee.

6. Quorum

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

7. Removal and Vacancy

A member may resign from the Committee, and may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a trustee. The Board will fill vacancies in the Committee by appointment from among the trustees of the Board in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

8. Experts and Advisors

The Committee may retain or appoint, at the Fund's expense, such experts and advisors as it deems necessary to carry out its duties, and to set and pay their compensation. The Committee shall provide notice to the Governance Committee of its actions in this regard.

9. **Secretary and Minutes**

The Secretary of the Fund, or such other person as may be appointed by the Chair of the Committee, will act as Secretary of the Committee. The minutes of the Committee will be in writing and duly entered into the books of the Fund. The minutes of the Committee will be circulated to all members of the Board.