



# **ANNUAL INFORMATION FORM**

For the Year Ended December 31, 2005

## **ARMTEC INFRASTRUCTURE INCOME FUND**

370 Speedvale Avenue West, Suite 3

Guelph, Ontario

N1H 7M7

**An additional copy of this Annual Information Form  
may be obtained upon request from Armtec Infrastructure Income Fund  
at the above address or on SEDAR at [www.sedar.com](http://www.sedar.com).**

March 21, 2006

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*Note: All currency references are in Canadian dollars unless otherwise noted.*

## **NOMENCLATURE**

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In this Annual Information Form (“AIF”), the term Armtec refers to Armtec Infrastructure Income Fund (the “Fund”) together with its affiliated entities, Armtec Operating Trust (“AOT”), Armtec Holdings Limited (“AHL”), Armtec Limited Partner Corporation (“ALPC”), and Armtec Limited Partnership (“ALP”). The term Armtec Entities, refers to AOT together with AHL, ALPC, and ALP.

## **CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION**

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This AIF may contain “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements contain such words as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of March 21, 2006. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this report are based upon what management of Armtec believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this AIF and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

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## STRUCTURE

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### **Name, Address and Jurisdiction**

Armtec Infrastructure Income Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust dated June 15, 2004, as amended and restated on July 27, 2004 (the “Declaration of Trust”). The head and registered office of the Fund is located at 370 Speedvale Avenue West, Suite 3, Guelph, Ontario, N1H 7M7.

Among other things, the Fund has been established to hold, directly and indirectly, securities and assets of AOT, AHL, ALPC, ALP and other investments in entities conducting the business of manufacturing and/or marketing drainage products and/or engineered solutions for infrastructure applications and such other investments as the trustees of the Fund (the “Trustees”) may determine; provided, however, that the Fund may not undertake any activity, take any action, or make any investment that would result in the Fund not being considered a “mutual fund trust” or a “registered investment” for purposes of the *Income Tax Act* (Canada) (the “Tax Act”).

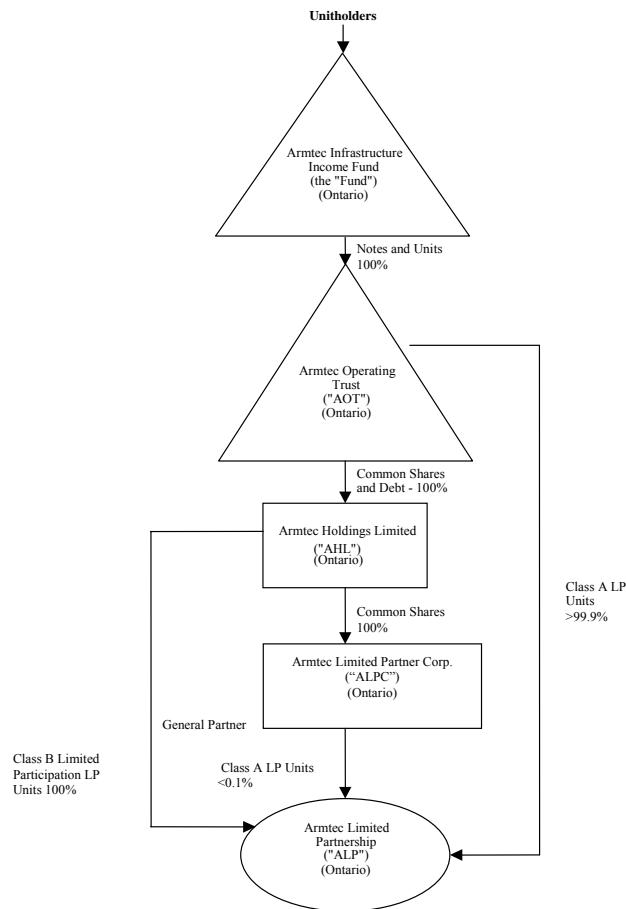
### **Subsidiary Entities**

Armtec Operating Trust is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust (the “AOT Declaration of Trust”) dated July 16, 2004. Among other things, AOT has been established to hold, directly and indirectly, securities of AHL, ALPC, ALP and other investments in entities conducting the business of manufacturing and/or marketing drainage products and/or engineered solutions for infrastructure applications and such other investments as the trustees of AOT may determine.

AHL is the sole general partner of ALP, a limited partnership established under the laws of the Province of Ontario to, among other things, conduct the business of manufacturing and/or marketing drainage products and/or engineered solutions for infrastructure applications and to own, operate and lease assets and property in connection therewith. AOT and ALPC, a corporation incorporated pursuant to the laws of the Province of Ontario, are the limited partners of ALP.

As at December 31, 2005, the Fund owned, directly, 100% of the issued and outstanding securities of AOT and owned, indirectly, 100% of the issued and outstanding securities of each of AHL, ALPC and ALP.

The following chart illustrates the relationship of the Fund to its subsidiary entities as at December 31, 2005:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Initial Public Offering

On July 27, 2004, the Fund completed an initial public offering (the "IPO") of 9,015,000 units of the Fund ("Units"), at a price of \$10.00 per Unit for aggregate gross proceeds of \$90.15 million.

### Acquisitions

Pursuant to the terms of an acquisition agreement among the former shareholders (the "AHL Shareholders") of AHL and AOT, the AHL Shareholders sold all of the securities of AHL to AOT in consideration for approximately \$78.4 million in cash. The purchase price and associated expenses were financed by the proceeds from the IPO of the Units. Pursuant to Part 8 of National Instrument 51-102, a business acquisition report in respect of the acquisition was filed on October 7, 2004 and is incorporated by reference in this AIF.

Since the IPO, Armtec has maintained and expanded its operations within Canada. Its product offering and markets served remain consistent with those described at the time of the IPO.

In September 2004, Armtec expanded its operations in Atlantic Canada and Western Canada through two agreements. The Fund acquired the Construction Products Division of Maritime Steel & Foundries Limited for \$2.1 million in order to increase its presence in Atlantic Canada. Also in September 2004, Armtec announced the completion of a manufacturing, sales and service agreement with Polytubes Inc. to access additional manufacturing capacity in Western Canada.

On February 1, 2006, Armtec completed the acquisition of the Construction Products Division of Twister Pipe Ltd. (“Twister”) of Calgary, Alberta for \$7.7 million, subject to working capital adjustments, and excluding transaction costs. The acquisition strengthened Armtec’s presence in the Alberta market and is expected to have a positive effect on distributable cash. In conjunction with the acquisition, Armtec increased the borrowing capacity on its term debt facility by \$10 million to finance the acquisition. As part of the amendment to the debt facilities, the maturity date for both the term and the revolving debt facilities was changed to February 2009. Twister has been a manufacturer and supplier of a wide range of highway construction products since 1976. Twister highway construction products include corrugated steel pipe (CSP), structural plate CSP, flared end sections, guardrail, water control gates, agricultural ventilating pipe, specialty CSP fittings and custom fabrications.

## **DESCRIPTION OF THE BUSINESS**

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### **Overview**

Armtec is a leading manufacturer and marketer of drainage products and engineered solutions for infrastructure applications in a diverse cross-section of industries, including the public infrastructure market and private sector markets such as natural resources, residential and agricultural drainage in Canada. Armtec is Canada's only national multi-material manufacturer specializing in corrugated steel pipe (“CSP”) and High Density Polyethylene (“HDPE”) pipe, and related engineered products. Armtec also distributes water control gates and geosynthetic products, and manufactures and distributes certain high value-added engineered products internationally.

Armtec has developed a suite of complementary HDPE pipe, CSP and related engineered products, which has positioned Armtec as a leading solutions provider to its diverse base of industrial, commercial and residential customers. Armtec has established a technically-trained national sales team of 46 people, and the technical expertise of its sales team often leads to Armtec being consulted early in the engineering-intensive specifications stage of major infrastructure projects.

Armtec operates through the industry's largest manufacturing and distribution network in Canada, with 31 manufacturing plants, sales and distribution offices located across the country.

### **Product Overview**

Armtec operates in one reportable segment. There are significant categories of products that Armtec offers in the marketplace including CSP and HDPE pipe (“Pipe”), engineered steel products and other products. Other products include water control gates, geosynthetic products and foundation damp proofing products. Revenues for 2005 and the combined revenues for 2004 are indicated in the product overview that follows. Combined revenue in 2004 includes both the results of the Fund from July 27, 2004 to December 31, 2004 and the consolidated results of AHL from January 1, 2004 to July 26, 2004.

### **Trademarks**

The Armtec and BIG ‘O’ logos, BOSS® 1000, BOSS® 2000, POLY-TITE, Multi-plate®, Bridge-Plate™, Super-Span®, Armtec Durawall, Enviro-wall, Flex-beam, Flow Controls, Fusolene, Hel-cor, Paved Invert, Smooth-Flo, and Ultra Stab are registered trademarks owned by Armtec.

### **Corrugated Steel and High-Density Polyethylene Products (“Pipe”)**

Revenues from pipe sales increased by \$6.8 million or 7.2% to \$101.7 million in the year ended December 2005 from the \$94.9 million of combined pipe revenue reported during the equivalent period in 2004.

HDPE pipe offers numerous advantages over competing materials, including lighter weight, ease of installation, strong and tight joints, and chemical and abrasion resistance. HDPE pipe has the potential to increasingly displace concrete pipe in the Canadian market, as has been the case in the U.S. and European markets. Although Armtec sells HDPE pipe primarily for drainage and storm sewers, the product can also be used for other applications such as storm water detention tanks and underground conduits for electrical and telecommunications wire.

The following is a brief description of the primary products in Armtec's HDPE pipe product offering.

- *BOSS® Products* — The core BOSS® 1000 and BOSS® 2000 brands represent Armtec's corrugated HDPE culvert and storm drainpipe. BOSS® 1000 is a single-wall pipe, corrugated on both the inside and outside, and is used primarily in road culvert applications. BOSS® 2000 is a twin-walled pipe with a corrugated outer wall and a smooth inner wall for improved fluid flow characteristics. The corrugated profile provides structural strength and stiffness, critical to a successful installation and long-term performance. BOSS® 2000 is supplied with either mechanical (soil tight) couplers or bell and spigot (watertight) joints.
- *BOSS® POLY-TITE* — POLY-TITE is also a twin-walled pipe, similar to BOSS® 2000, however it is manufactured with a higher grade resin for long-term stress-crack resistance, and is always manufactured with watertight joints. POLY-TITE is used in storm sewer applications where the specifications call for laboratory test pressures of up to 15 pounds per square inch. BOSS® 2000 and POLY-TITE are the only HDPE pipes certified by the Canadian Standards Association (“CSA”) for the full range of diameters available.
- *HDPE Tubing* — Big ‘O’ branded drainage tubing is the most recognized name in the agricultural and residential drainage markets in Canada. The product is a single-wall corrugated HDPE product. Since being introduced into Canada over 35 years ago, HDPE tubing has replaced the use of clay tiles and/or concrete in land drainage applications. The product is used in both agricultural land drainage to increase crop yields, as weeping tile in new home construction applications and in repairs and renovations of existing homes. Weeping tile is often specified for use in conjunction with Platon (See product description under “Other Products”).

The attributes of corrugated steel products include their low installed cost, ease of installation, strength and flexibility. As a result of these attributes, corrugated steel products have a significant share of the market for drainage and culvert applications.

The following is a brief description of the primary products in Armtec's corrugated steel product line.

- *CSP* — CSP is designed for use as culverts, storm sewers and underground water detention and recharge systems. CSP is also used in municipal and industrial applications for utility encasement (telephone, water, and sewer lines). In 2005, Armtec supplied large diameter CSP for use in the construction of foundations for wind towers. CSP is supplied in a variety of coatings to meet specific durability requirements.
- *Ultra Flo®* — Ultra Flo® Spiral Rib Pipe is an economical alternative for storm sewer drainage systems. It is a flexible metal pipe with spiral ribs and a continuous interlocking seam that is hydraulically smooth on the inside. Its unique design results in flow characteristics similar to conventional smooth-wall rigid pipe materials such as concrete, ductile iron and plastic. Armtec has the exclusive license from W.E. Hall Company to manufacture and sell Ultra Flo® in Canada. Typical applications for this product include storm sewers, highway centreline drainage and underground storm water detention tanks. Ultra Flo® has become a complementary product to BOSS® 2000 and POLY-TITE because it is available in much larger diameters than is currently available for HDPE products. By combining the BOSS® 2000 with Ultra Flo®, Armtec can provide complete storm water systems.

- *Aluminized Steel Type II* — Aluminized Type II steel is fabricated from steel coils that have been hot-dip coated in commercially pure aluminium. This results in a pipe with the strength of corrugated steel combined with the superior corrosion resistance of aluminium. Both CSP and Ultra Flo® can be manufactured using Aluminized Type II steel. Typical applications for this product include storm sewers, culverts, highway centreline drainage and underground storm water detention tanks where increased durability is required.
- *Polymer Laminated Steel* — This very durable product used in the manufacture of CSP and Ultra Flo® pipe is designed for use in more aggressive environments where durability performance requirements exceeds that available from galvanized or Aluminized Type II coatings.

### **Engineered Steel Products**

Armtec has developed a line of engineered products for the infrastructure industry, including Multi-Plate®, Super-Span®, Bridge-Plate™, tunnel liner plate, steel retaining walls and guardrail. Multi-Plate®, Super-Span® and Bridge-Plate™ are used as cost-effective alternatives to traditional concrete bridge and drainage structures and are particularly well-suited to a more rugged construction environment. Engineered product revenues increased 3.2 % or \$0.6 million to \$19.2 million in 2005 from the combined \$18.6 million earned in 2004.

The following is a brief description of the primary products in Armtec's engineered steel product line.

- *Multi-Plate®* — Multi-Plate® structures are formed from corrugated steel plates that are easily assembled by bolting pre-curved plates together at the point of installation. Multi-Plate® is available in a wide range of shapes and sizes to suit the needs of the drainage and short-span bridge market.
- *Super-Span®* — Super-Span® structures are the largest members of the Multi-Plate® family. By introducing special features such as concrete thrust beams and roof stiffening ribs, spans of up to 18 metres have been successfully installed. Super-Span® is used in a variety of bridge and underground mining applications.
- *Bridge-Plate™* — Bridge-Plate™ is the strongest corrugated steel product available in the soil-steel bridge market. Bridge-Plate™ is made from a deep corrugated steel plate, three times the corrugation depth of Multi-Plate®, which enables it to be 3.5 times stronger than structural plate and 10 times stiffer. These enhanced properties allow Armtec to design long span structures with lighter steel sections, thus providing very cost-effective solutions. Typical applications for this product include bridge structures over water, road grade separations, road/rail grade separations and avalanche protection structures. Armtec has improved the Bridge-Plate™ box culvert design intended to compete with conventional concrete box and rigid frame drainage structures. Armtec's unique "smooth corners" permit the manufacture of box culverts with spans up to 13 metres.
- *Tunnel Liner Plate* — Tunnel Liner Plate is made from bolted, pre-curved steel sections that can be completely assembled from inside the structure. This product is specifically designed for soft-ground tunnelling applications. Tunnel Liner Plate is used in municipal applications for utility conduits, in mining for rock fall protection and access tunnels, and in infrastructure projects for culvert and storm sewer re-line.
- *Steel Retaining Walls* — All-steel retaining walls are constructed by bolting lightweight galvanized steel members together at the job site. Once backfilled, the solid mass acts as a gravity retaining wall. Typical applications include road widening, slope stabilization, grade separations, loading docks and fresh water recreational dock facilities.

### **Other Products**

Other product revenues, which primarily consist of revenues from the sale of water control gates, foundation damp proofing products and geosynthetic membranes increased by \$4.1 million or 13.7% to \$34.0 million in 2005 from the combined \$29.9 million of revenues earned in the period ended December 31, 2004.

The following is a brief description of other products offered by Armtec.

#### *Water Control Gates*

Armtec designs, assembles and distributes a complete line of cast iron and fabricated water control gates for irrigation and municipal applications, such as flow control for water treatment plants. Armtec's water control products are manufactured by a number of regionally-based subcontractors and may be further assembled by Armtec.

Armtec's cast-iron gates are used in a variety of applications, including wastewater treatment, water treatment, flood control, control of cooling water in power plants, irrigation and other similar applications where water flow must be controlled. Armtec's fabricated water control products are used in water and wastewater treatment plants, and also in irrigation, canal and flood control applications.

#### *Platon*

Platon is an impermeable membrane manufactured from HDPE, which is used as a foundation and basement dampness barrier for residential construction and repair. Platon relies on air gap technology to provide outstanding performance. Armtec manufactures Platon under an agreement with Isola AS of Norway, and has the rights to sell the product in both Canada (on an exclusive basis) and the United States. Platon is very easy to install, and requires no additional barrier (such as spray-on tar) in order to be effective. It is the only product in the residential foundation market that guarantees crack-bridging performance of up to  $\frac{1}{4}$  inch. Platon is also used in the construction of sub floors in residential basements.

#### *Geosynthetics*

Armtec distributes a full line of geotextiles. Armtec also distributes engineered geosynthetics under brand name labels, which are used for soil strengthening and stabilization. The use of geosynthetics is now well accepted for use in soil stabilization and soil architecture. Typical applications for this product include road construction, golf course construction, steep slopes, and retaining walls. The following is a brief description of the primary products in Armtec's geosynthetics product line.

- *Geotextiles* — These high-quality engineered fabrics provide both separation and strengthening in soils construction. Benefits include significant savings in volume of aggregate used and enhanced soil load-bearing properties. Typical applications include base stabilization, subsurface drainage, soil separation, sediment control, asphalt overlays and waste management applications.
- *Geoweb Cellular Confinement Systems* — Geoweb's unique cellular design allows the use of common infill materials in demanding load support, erosion control and earth retention applications. The primary applications for Geoweb are retaining walls, channel linings, slope cover reinforcement and road and rail base stabilization.

### **Suppliers**

Long-standing relationships with key suppliers of raw materials have assisted Armtec in maintaining efficient procurement and reliability of supply. These strong relationships have allowed Armtec to maintain its significant market position, while optimizing its working capital investment.

HDPE products are produced using resins. Armtec purchases virgin resin either directly from the primary manufacturers or from large specialty distributors. For those products where recycled resins are permitted, Armtec has established relationships with processors of used industrial and consumer resins. Armtec also has its own resin-testing laboratory, which enables it to certify its HDPE products to CSA standards.

The majority of CSP products are produced using galvanized steel purchased primarily from one supplier. As a primary purchaser of galvanized steel in Canada, Armtec is a valuable customer for this supplier, and this has helped to create a strong partnership between the two companies. In addition to galvanized product, Armtec purchases a premium aluminium-coated product for use in its CSP and Ultra Flo<sup>®</sup> products, and a substantial amount of carbon steel for structural plate and guardrails. These products are readily sourced from other North American steel manufacturers with which Armtec has established relationships.

Geosynthetic products and water control gate products are distributed by Armtec in Canada. While Armtec has successfully established distribution relationships with key manufacturers of these products, management believes that alternative sources of supply are available if required.

### **Competition**

The Canadian market for pipe is fragmented. Armtec's competitors are comprised primarily of regionally based, private companies, all of which are smaller and less diversified than Armtec. Armtec believes that it is the market leader in the corrugated pipe, and related engineered products markets in Canada.

### **Sales and Marketing**

Armtec has a team of 98 employees dedicated to the sales and marketing function across Canada. The national sales team is comprised of 46 technically-trained product specialists, 40 customer service representatives and 3 sales estimators/coordinators, with the remaining 9 people involved in office and receivables management and other sales and marketing related administrative functions.

The technically-trained sales team provides engineering assistance to customers, including at the early stages of project design and development of product specifications. The close relationships between Armtec and its customers are important to Armtec's ability to secure ongoing business on complex projects. Management believes that the size and experience of its sales team and their customer relationships serve as barriers to entry, as it would be prohibitively expensive to re-create the national coverage of Armtec's sales team, and would take many years to establish the type of longstanding relationships that Armtec has developed with its customers.

With its multi-material strategy, Armtec employs a one-stop shopping marketing strategy to provide a broad range of product, material and solution options within a rapid and reliable delivery schedule. Armtec's marketing strategy focuses on educating the customer with respect to the value-engineered advantages of its products and materials relative to other alternatives. Armtec's marketing staff maintains and updates a series of educational marketing materials for this purpose, including relevant product brochures, case studies, an interactive web site and specific software which assists customers with project design and the applications of Armtec products.

Products are typically sold directly to general contractors and end users, or in certain cases through distributors and retailers. Third party distribution is primarily used in the residential drainage markets but distributors can be used for infrastructure projects as well.

### **Intangible Assets**

Armtec's most significant intangible assets are discussed below:

#### **Trademarks**

The Armtec and BIG 'O' logos, BOSS<sup>®</sup> 1000, BOSS<sup>®</sup> 2000, POLY-TITE, Multi-plate<sup>®</sup>, Bridge-Plate<sup>™</sup>, Super-Span<sup>®</sup>, Armtec Durawall, Enviro-wall, Flex-beam, Flow Controls, Fusolene, Hel-cor, Paved Invert, Smooth-Flo, and Ultra Stab are registered trademarks owned by Armtec. The market recognition of these products in addition to the Armtec name generates value for the Fund.

### **Licences**

Armtec sells an air-gap membrane technology, referred to as Platon, into the residential drainage markets, principally in Canada. While Armtec has been responsible for the development of the Platon market in Canada, the product itself was developed by a Norwegian company. Armtec manufactures Platon under an agreement with Isola AS of Norway, and has the rights to sell the product in both Canada (on an exclusive basis) and the United States.

### **Customer contracts**

Armtec has several contracts with customers that allow Armtec to secure all or substantially all of the customers' business on an annual basis. These contracts will generate value to Armtec by providing a predictable revenue stream.

### **Customer lists**

Through acquisitions, Armtec has expanded its market presence in various Canadian regions. The existing customers of the companies acquired provide value to Armtec through increased revenues in those regions.

## **Economic Cycles**

Various raw materials are used in the products manufactured by Armtec, and such raw materials may be subject to economic cyclicity and seasonality and wide price variations. In particular, the primary raw materials used in Armtec's plastic and steel products are various types and grades of resins and steel, respectively. These raw materials are sourced and traded throughout the world and are subject to pricing volatility. Consistent with past and current practices within the industry, Armtec manages its exposure to raw material price volatility by passing through most, if not all, of the price volatility to its customers.

## **Seasonality**

Armtec's business is seasonal, with sales ramping up as spring arrives and generally reaching peak levels in the summer months. As such, losses in the first quarter are expected due to low volumes, with Armtec historically generating positive net earnings as the second quarter develops. Since almost all of the Armtec's revenue is derived from products that require outdoor installation, early year shipments can be negatively affected when inclement weather renders installation sites inaccessible. A \$25.0 million revolving credit facility is available to accommodate regular distributions and working capital requirements during slower quarters.

## **Environmental**

Armtec is subject to a wide range of federal, provincial and municipal environmental laws and regulations that govern the discharge of materials into the environment and the investigation and clean-up of environmental contamination. Armtec believes that the conduct of its operations is currently in material compliance with existing environmental laws and regulations. In conjunction with independent engineering firms, Armtec has examined its manufacturing facilities to identify potential clean-up obligations and other environmental issues. To date, the costs incurred in complying with environmental laws and regulations, including the cost of clean-up and remediation, have not had an adverse effect on Armtec's financial condition.

## **Employees**

Armtec employed an average of 350 employees on a full-time equivalent basis in 2005. Of this total, 98 performed sales and marketing functions, 17 performed engineering functions, 28 were salaried operational employees, 35 performed non-sales related administrative functions, and the balance were hourly paid seasonal operational workers. Armtec's employee structure is highly variable reflecting the seasonal nature of its operations. The number of Armtec's hourly employees may be reduced by up to 50% during winter months.

On average during 2005, approximately 62 employees at six manufacturing plants were represented by unions. The collective bargaining agreements with these unions expire between February 2006 and February 2009. The contract that expired in February 2006 is currently being negotiated and production has continued uninterrupted to date in 2006. Management believes that Armtec's relations with its employees are excellent. Armtec's last labour dispute occurred in 1988 and lasted only one day.

## Facilities

In December 2005, Armtec consolidated three separate offices located in Guelph, Ontario (Head Office and Administration, Engineering, and Ontario Sales) into one facility at 370 Speedvale Avenue West, Suite 3, Guelph, Ontario. Armtec operates through a comprehensive network of 31 locations, including 20 strategically located manufacturing plants, situated in close proximity to every major market in Canada. This network enables Armtec's sales team to work directly with regional contractors and local municipalities at the critical product specification stage, and is key to reducing transportation costs and providing a high level of customer service.

The following table lists Armtec's facilities.

Location	Description	Location Size (Sq. ft.)	Owned/Leased
Guelph, Ontario	Head Office and Administration/Engineering/Ontario Sales	18,204	Leased
Nanaimo, British Columbia	Manufacturing/Sales	11,034	Owned
Prince George, British Columbia	Manufacturing/Sales	18,588	Leased
Langley, British Columbia	Sales/Stock Yard	10,608	Leased
Calgary, Alberta	Stockyard	1,440	Leased
Calgary, Alberta (1)	Manufacturing/Sales	7,418	Leased
Edmonton, Alberta	Sales	2,098	Leased
Lethbridge, Alberta	Manufacturing/Sales	6,000	Leased
Redwater, Alberta	Manufacturing	18,000	Owned
Saskatoon, Saskatchewan	Manufacturing/Sales	10,516	Owned
Winnipeg, Manitoba	Manufacturing/Sales	14,615	Owned
Chesterville, Ontario	Manufacturing	10,600	Owned
Comber, Ontario	Sales/Stock Yard	5,000	Owned
Concord, Ontario	Sales/Stock Yard	2,300	Leased
Forest, Ontario	Manufacturing	31,900	Leased
Guelph, Ontario	Manufacturing	92,863	Owned
Sudbury, Ontario	Sales/Stock Yard	6,000	Leased
Orangeville, Ontario	Manufacturing	44,526	Owned
Peterborough, Ontario	Manufacturing/Sales	13,200	Leased
Thunder Bay, Ontario	Manufacturing/Sales	6,000	Owned
Woodstock, Ontario	Manufacturing	46,000	Owned
St. Bruno, Québec	Sales	1,705	Leased
St. Augustin, Québec	Manufacturing/Sales	38,160	Owned
St. Clet, Québec	Manufacturing/Sales	56,752	Owned
Sackville, New Brunswick	Sales/Stock Yard	10,800	Owned
Sydney Mines, Nova Scotia	Manufacturing	1,800	Leased
Bible Hill, Nova Scotia	Manufacturing	2,870	Owned
New Glasgow, Nova Scotia	Sales	225	Leased
Bloomfield, Prince Edward Island	Manufacturing	3,600	Leased
Bishop's Falls, Newfoundland and Labrador	Manufacturing	11,280	Owned
St. John's, Newfoundland and Labrador	Sales	700	Leased

(1) Armtec's manufacturing/sales facility in Calgary, Alberta reflects the new facility acquired in the acquisition of the Construction Products Division of Twister in February 2006.

## **Declaration of Trust**

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions. A copy of the Declaration of Trust is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Activities of the Fund**

The Declaration of Trust provides that the Fund is a limited purpose trust and its activities are restricted to:

- (i) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with investments in debt and/or equity securities and/or assets of AOT and/or the other Armtec Entities, as well as other corporations, partnerships, trusts and other persons conducting business of manufacturing and/or marketing drainage products and/or engineered solutions for infrastructure applications, and such other investments as the Trustees may determine;
- (ii) temporarily holding cash in interest-bearing accounts or short-term certificates of deposit, short term government debt or investment grade corporate debt, or money market mutual funds for the purposes of the Fund's activities, including making investments or paying the expenses and liabilities of the Fund, paying amounts owing by the Fund in connection with the redemption of any Units or other securities of the Fund, and making distributions to holders of Units ("Unitholders");
- (iii) issuing Units and other securities of the Fund (including securities convertible into or exchangeable for Units or other securities of the Fund, or warrants, options or other rights to acquire Units or other securities of the Fund), including for the purposes of: (a) obtaining cash to conduct the activities described above, including raising funds for further acquisitions, (b) implementing Unitholder rights plans, distribution reinvestment plans and Unit purchase plans, incentive option plans or other compensation plans, if any, established by Armtec, (c) making non-cash distributions to Unitholders as contemplated by the Declaration of Trust, including pursuant to distribution reinvestment plans, if any, established by the Fund, or (d) satisfying any indebtedness or liability of or borrowing by the Fund;
- (iv) issuing debt securities or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;
- (v) guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of the Armtec Entities or the performance of any obligation of the Armtec Entities, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets, including debt or equity securities issued by the Armtec Entities or any of the Fund's or their affiliates, as the case may be, as security for such guarantee, and subordinating its rights under the notes (the "AOT Notes") of AOT held by the Fund or other indebtedness owed to the Fund to other indebtedness;
- (vi) issuing or redeeming rights and Units pursuant to any incentive plan or Unitholder rights plan adopted by the Fund;
- (vii) disposing of all or any part of any of the Fund's assets;
- (viii) repurchasing and redeeming securities issued by the Fund, subject to the provisions of the Declaration of Trust and applicable law;

- (ix) satisfying the obligations, liabilities or indebtedness of the Fund; and
- (x) undertaking such other activities, or taking such actions, as are related to or in connection with the foregoing or as are contemplated by the Declaration of Trust or as may be approved by the Trustees from time to time,

As at the date of this AIF, the Fund does not intend to hold securities of entities other than Armtec and its subsidiaries.

### **Trustees**

The Fund is required to have a minimum of three and a maximum of 10 Trustees. The Trustees are to supervise the activities and manage the affairs of the Fund. Pursuant to the terms of the Declaration of Trust, not less than two-thirds of the Trustees must be "resident in Canada" for purposes of the Tax Act. In the event that, at any time, less than two-thirds of the Trustees are "resident in Canada" for purposes of the Tax Act, the Trustees then in office will appoint such number of resident Canadian Trustees as may be necessary such that not less than two-thirds of the Trustees will be "resident in Canada" for purposes of the Tax Act.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees have full, absolute and exclusive power, control and authority over the assets of the Fund and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the assets of the Fund and may, in respect of the assets of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof. Subject to such terms and conditions, the Trustees are responsible for, among other things:

- (i) supervising the activities and managing the investments and the affairs of the Fund;
- (ii) maintaining records and providing reports to Unitholders;
- (iii) effecting distributions from the Fund to Unitholders;
- (iv) effecting the payment of the redemption or repurchase price for Units;
- (v) acting for, voting on behalf of, and representing the Fund as a holder of AOT Units and a holder of AOT Notes; and
- (vi) voting in favour of the Trustees to serve as trustees of AOT.

The Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the Fund and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Units**

An unlimited number of Units are issuable pursuant to the Declaration of Trust. Each Unit entitles the holder or holders thereof to one vote on a ballot vote at any meeting of Unitholders. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of the termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges.

No certificates are issued for fractional Units and fractional Units do not entitle the holders thereof to vote. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such 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.

## 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, including pursuant to any Unitholder rights plan, or any incentive option or other compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis. The Declaration of Trust also provides that 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 respect of the Unitholder's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income (or capital gains that arise on the disposition of taxable Canadian property), non-resident Unitholders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units.

## Distributions

The Fund makes monthly cash distributions of its distributable cash to the maximum extent possible to Unitholders. The amount of cash available for distribution will be equal to the interest and principal repayments on the AOT Notes owned by the Fund and the distributions (if any) on or in respect of the AOT Units owned by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units; (iii) satisfaction of its debt service obligations (principal and interest) on indebtedness, if any; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Fund, that have been or are reasonably expected to be incurred in the activities and operations of the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of the Fund) and for reasonable reserves.

The Fund may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund will not be liable for income taxes under Part I of the Tax Act in such year. Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have any such income tax liability, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Fund makes monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions are paid within 30 days following each month end. Distributions for the year ended December 31, 2004 and December 31, 2005 were as follows:

### 2004 Distributions

Period	Record date	Payment date	Per unit
July 27 – August 31, 2004	August 31, 2004	September 15, 2004	\$ 0.11
September 2004	September 30, 2004	October 15, 2004	0.10
October 2004	October 29, 2004	November 15, 2004	0.10
November 2004	November 30, 2004	December 15, 2004	0.10
December 2004	December 31, 2004	January 14, 2005	0.10
Special Distribution	December 31, 2004	January 28, 2005	0.35
			\$ 0.86

## 2005 Distributions

Period	Record date	Payment date	Per unit
January 2005	January 31, 2005	February 15, 2005	\$ 0.10
February 2005	February 28, 2005	March 15, 2005	0.10
March 2005	March 31, 2005	April 15, 2005	0.10
April 2005	April 29, 2005	May 16, 2005	0.10
May 2005	May 31, 2005	June 15, 2005	0.11
June 2005	June 30, 2005	July 15, 2005	0.11
July 2005	July 29, 2005	August 15, 2005	0.11
August 2005	August 31, 2005	September 15, 2005	0.11
September 2005	September 30, 2005	October 14, 2005	0.11
October 2005	October 31, 2005	November 15, 2005	0.11
November 2005	November 30, 2005	December 15, 2005	0.11
December 2005	December 30, 2005	January 16, 2006	0.11
Special Distribution	December 30, 2005	January 27, 2006	0.22
			\$ 1.50

The special distribution of \$0.22 per Unit declared in December 2005 was necessary in order to distribute the taxable income of the Fund. As a result, the Fund did not report taxable income in 2005. Of the distributions declared in 2005, 4.7% was a return of capital and the remaining 95.3% was subject to income tax in the hands of the unitholders.

The Fund intends to continue making equal monthly cash distributions of its net cash receipts. Effective February 1, 2006, the monthly distributions were set at \$0.12 per Unit.

### Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees specifying the number of Units to be redeemed. As the Units will be issued in book entry form, a Unitholder 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 Fund at its head office and to the Canadian Depository for Securities Limited ("CDS"). As of the close of business on the date the Units are tendered for redemption, all rights to and under the Units tendered for redemption shall (subject to the following) 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 stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days on such stock exchange or market ending immediately prior to the date on which the Units were tendered for redemption; and
- (ii) the Closing Market Price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

For the purposes of determining the Redemption Price, "Market Price" will be the amount equal to the weighted average of the trading prices of the Units on the applicable market or exchange for each of the trading days on which there was a trade of Units during the specified trading day period; provided that if there was trading of Units on the applicable exchange or market for fewer than five of the trading days during the specified trading day period, "Market Price" will be the average of the following prices established for each of the trading days during the specified trading day period: the average of the last bid and ask prices of Units for each trading day on which there was no trading of Units and the weighted average trading prices of the Units for each trading day on which there was trading of Units. For the purposes of determining the Redemption Price, "Closing Market Price" will be: (i) an amount equal to the closing price of the Units on the applicable market or exchange if there was a trade of Units on the specified date and the applicable market or exchange provides a closing price; (ii) an amount equal to the average of the highest and lowest prices of Units on the applicable market or exchange if there was trading of Units on the specified date and the applicable market or exchange provides only the highest and lowest trading prices of Units traded on a particular day; or (iii) the average of the last bid and ask prices on the applicable market or exchange if there was no trading of Units on the specified date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment by the Fund no later than the last day of the calendar month following the calendar month in which the Units were tendered for redemption, provided that the entitlement of the Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

- (i) the total amount payable in cash by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month may not exceed \$50,000 (the "Monthly Limit"), provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month;
- (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market that, in the sole discretion of the Trustees, provides a representative fair market value price for the Units; and
- (iii) the normal trading of Units must not be 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 date that the Units are tendered for redemption or for more than five trading days during the 10 trading day period prior to the date on which the Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then the Redemption Price for each Unit tendered for redemption will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* of the assets of the Fund. If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the other specified limitations, then each redeeming Unitholder will be entitled to receive a price per Unit equal to the fair market value thereof as determined by the Trustees, which may be satisfied by way of a distribution *in specie* of the assets of the Fund.

### **Repurchase of Units**

The Fund is allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities laws and the rules prescribed under applicable stock exchange or regulatory policies.

## Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held annually, for the purpose of: (i) the election of Trustees, (ii) the appointment of auditors of the Fund for the ensuing year, (iii) generally, any other matter that requires a resolution of Unitholders, and (iv) transacting such other business as the Trustees may determine or as may be properly brought before the meeting. The Declaration of Trust provides that Unitholders will be entitled to pass resolutions that will bind the Fund with respect to:

- (a) the election or removal of Trustees of the Fund;
- (b) any amalgamation, arrangement, other merger or capital reorganization of the Fund, or the Armtec Entities with any other entity;
- (c) the appointment or removal of nominees of the Fund chosen by the Unitholders to serve as trustees of AOT (provided that casual vacancies may be filled by the remaining Trustees);
- (d) the appointment or removal of the auditors of the Fund;
- (e) the appointment of an inspector to investigate the performance by the Trustees of their respective responsibilities and duties in respect of the Fund;
- (f) the approval of amendments to the Declaration of Trust (as described under “Description of the Business” — Amendments to the Declaration of Trust”);
- (g) the sale, lease or exchange of all or substantially all of the assets of the Fund (other than in connection with an *in specie* redemption of Units by the Fund);
- (h) the exercise of certain voting rights attached to the securities of AOT or other Armtec Entities held directly or indirectly by the Fund;
- (i) the ratification of any Unitholder rights plan, distribution reinvestment plan and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Declaration of Trust requiring Unitholder approval;
- (j) the dissolution of the Fund prior to the end of its term; and
- (k) such other business as the Trustees may determine or as may properly be brought before a meeting, including, without limitation, any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders for their approval.

No other action taken by Unitholders or any other resolution of the Unitholders will in any way bind the Trustees.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned in writing by the holders of not less than 5% of the Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person and either holding personally or representing by proxy in the aggregate at least 10% of the votes attached to all outstanding Units will constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders, will be terminated (not adjourned), but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the

meeting, and if at the resumption of such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum.

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.

### **Limitation on Non-Resident Ownership**

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. Accordingly, 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 then outstanding. This 49% limitation will be applied with respect to the issued and outstanding Units on both a non-diluted basis and a fully-diluted basis. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware that the beneficial owners of at least 49% of the Units then outstanding are, or may be, non-residents of Canada or that such a situation is imminent, the Trustees or the transfer agent and registrar shall make a public announcement thereof and thereafter the transfer agent and registrar shall not accept a subscription for Units from or issue or register a transfer of such Units to a person unless the person provides a declaration that he or she is not a non-resident of Canada within the meaning of the Tax Act. If, notwithstanding the foregoing, the Trustees determine that 49% or more of the Units are held by non-residents of Canada, the Trustees may direct the transfer agent and registrar to send a notice to non-resident holders of Units chosen (to the extent possible) in inverse order to the order of acquisition or registration or in such other 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 persons receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents of Canada within the meaning of the Tax Act within such period, the Trustees may, on behalf of such persons, sell such Units and, in the interim, shall suspend the voting and distribution rights, if any, attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units so sold and their rights shall be limited to receiving the net proceeds of such sale.

### **Amendments to the Declaration of Trust**

The Declaration of Trust may be amended or altered from time to time by resolution passed by the affirmative votes of the holders of more than 66 $\frac{2}{3}$ % of the Units represented at the meeting and voted upon such resolution, or a resolution in writing executed by Unitholders holding more than 66 $\frac{2}{3}$ % of the outstanding Units entitled to be voted on such resolution ("Special Resolution").

The Trustees may, at their discretion and without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments for the purpose of:

- (i) ensuring continuing compliance and conformity of the Declaration of Trust with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or the Fund; or
- (ii) providing additional protection or added benefits for Unitholders, in the opinion of counsel to the Trustees; or
- (iii) removing any conflicts or inconsistencies in the Declaration of Trust or making minor changes or corrections that are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders; or
- (iv) making amendments that, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over the Trustees or the Fund; or

- (v) for purposes of ensuring that the Fund continues to qualify as a mutual fund trust under the Tax Act; or
- (vi) as may be otherwise specifically contemplated in the Declaration of Trust.

The Trustees may not amend the Declaration of Trust in a manner, which would result in the Fund failing to qualify as a "mutual fund trust" under the Tax Act.

#### **Exercise of Certain Voting Rights Attached to the Securities of the Armtec Entities**

The Declaration of Trust provides that the Fund will not vote, nor will it permit the AOT Trustees to vote, or cause to be voted, securities of any of the Armtec Entities to authorize, among other things:

- (i) any matter that, under the AOT Declaration of Trust, requires or permits the approval of the holders of AOT Units by Special Resolution;
- (ii) any material amendment to the note indenture pursuant to which the AOT Notes are issued (the "AOT Note Indenture") other than in contemplation of a further issue of AOT Notes;
- (iii) any sale, lease, exchange or other distribution of all or substantially all of the direct or indirect assets of any of the Armtec Entities except: (a) in conjunction with an internal reorganization, (b) pursuant to a good faith charge, pledge, mortgage, lien, security interest or other encumbrance granted by the Armtec Entities over any assets of the Armtec Entities in the ordinary course of business, or (c) pursuant to any guarantee of any obligation of the Armtec Entities, or any charge, mortgage, lien, security interest or other encumbrance, in each case, granted by the Armtec Entities over any of the assets of the Armtec Entities, or;
- (iv) any amalgamation, arrangement, other merger, combination or capital reorganization of any of the Armtec Entities with any other entity, except: (a) in conjunction with an internal reorganization; or (b) the acquisition by any of the Armtec Entities of the securities or assets of another entity;
- (v) the winding-up or dissolution of any of the Armtec Entities prior to the end of the term of the Fund, except in connection with an internal reorganization; or
- (vi) any material amendment to the limited partnership agreement of ALP, or the articles of incorporation of ALPC, or the articles of amalgamation of AHL in any manner that may be prejudicial to the Fund or the Unitholders,

without the authorization of the Unitholders by Special Resolution.

The Trustees will be required to vote the AOT Units held by the Fund to cause the election of the Trustees as AOT Trustees.

#### **Term of the Fund**

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 II, alive on June 15, 2004. On a date selected by the Trustees, which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may by a Special Resolution require the Trustees to commence the termination, liquidation or wind up of the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding up of the affairs of the Fund, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees will proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders, sell and convert into money the AOT Units, AOT Notes and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining part of the proceeds of the sale of the AOT Units, AOT Notes and other assets comprising the Fund together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of AOT Units, AOT Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining AOT Units, AOT Notes or other assets *in specie* directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

### **Take-over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made and not less than 90% of the Units, on a fully diluted basis, (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 holders who did not accept the take-over bid, on the same terms on which the offeror acquired Units pursuant to the take-over bid.

### **Information and Reports**

In accordance with and subject to applicable securities laws, the Fund will furnish to Unitholders such consolidated financial statements of the Fund (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders. ALP will undertake to provide the Fund with: (i) a report of any material change that occurs in the affairs of ALP in form and content that it would file with applicable regulatory authorities were it a reporting issuer (or equivalent); and (ii) all financial statements (and accompanying management's discussion and analysis) that it would be required to file with applicable regulatory authorities if it were a reporting issuer (or equivalent) under applicable securities laws. All such reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements and other materials as required under applicable securities laws.

The Fund will compare financial information for the business carried on by AHL and its subsidiaries prior to the acquisition by the Fund with the business to be carried on by the Fund (through ALP) in future management's discussion and analysis as part of the Fund's continuous disclosure record.

### **Book-Entry Only System**

Registration of interests in and transfers of the Units will be made only through a book-entry system administered by CDS. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a "CDS Participant"). All rights of Unitholders must be exercised through, and all payments or other property to which the Unitholder is entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds the Units. Upon a purchase of any Units, the Unitholder will receive only a customer confirmation from the registered dealer, which is a CDS Participant, and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to the Unitholder's interest in those Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system, in which case certificates for the Units in fully registered form would be issued to beneficial owners of those Units or their nominees.

## TRUSTEES AND EXECUTIVE OFFICERS

### Trustees

The Fund is required to have a minimum of three and a maximum of 10 Trustees. The current number of Trustees has been fixed at six. The term of office for each of the Trustees will expire at the time of the next annual meeting of Unitholders or until a successor is appointed. As at the date hereof, the name, province or state and country of residence and principal occupation of each of the Trustees, the period during which each Trustee has served as a trustee of the Fund, and the number of Units beneficially owned, directly or indirectly, or over which control or direction is exercised by each Trustee as at March 21, 2006 are as follows:

Name, Province and Country or State of Residence	Principal Occupation	Trustee Since	Number of Units Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised <sup>(4)</sup>
Robert J. Wright, C.M., Q.C. Ontario, Canada <sup>(2), (3)</sup>	Deputy Chairman, Teck Cominco Limited	July 2004	5,000
Brian Jamieson <sup>(1)</sup> Ontario, Canada	Chief Financial Officer and Secretary, Jannock Properties Limited	July 2004	2,000
D. Michael Lay <sup>(1)</sup> Ontario, Canada	Managing Partner, ONCAP Management Partners L.P.	July 2004	1,000
John E. Richardson, FCA <sup>(1)</sup> Ontario, Canada	Chairman, Ontario Pension Board	July 2004	4,000
Michael Skea <sup>(2)</sup> Ontario, Canada	Independent Consultant	July 2004	5,000
Robert H.R. Dryburgh <sup>(2)</sup> Pennsylvania, United States	Executive Vice-President, Robertson-Ceco Corporation	June 2005	1,000

(1) Member of the Audit Committee.

(2) Member of the Compensation and Corporate Governance Committee.

(3) Chairman of the Board of Trustees.

(4) Information has been provided by each Trustee.

The following is a brief biography of each of the Trustees:

*Robert J. Wright, C.M., Q.C.* Mr. Wright is the Deputy Chairman of Teck Cominco Limited (a major Canadian diversified mining company), a position he has held since June 2000. Mr. Wright was Chairman of Teck Corporation (the predecessor to Teck Cominco Limited) from 1994 to June 2000. From 1989 to 1993, Mr. Wright was Chairman of the Ontario Securities Commission. Prior to 1989, he was a senior partner in the law firm of Lang Michener. Mr. Wright is a trustee of the Fording Canadian Coal Trust, Chairman and director of the Mutual Fund Dealers Association, director of the AARC Foundation and trustee of Resolve Business Outsourcing Income Fund. Mr. Wright was appointed a Member of the Order of Canada in April 1997.

*Brian Jamieson.* Mr. Jamieson is the Chief Financial Officer and Secretary of Jannock Properties Limited (a real estate development company), a position he has held since March 2000. Mr. Jamieson was Vice President, Finance and Chief Financial Officer of Jannock Limited from May 1986 to March 2000. Mr. Jamieson is a member of the Institute of Chartered Accountants of New Zealand and holds a Bachelor of Commerce degree from the University of Canterbury in New Zealand.

*D. Michael Lay.* Mr. Lay is the Managing Partner of ONCAP Management Partners L.P. (a private investment fund), a position he has held since June 2000. Mr. Lay was Vice President, Merchant Banking of the Ontario Teachers' Pension Plan Board, one of Canada's largest merchant banking operations, from 1997 to June 2000. From 1994 to 1997, Mr. Lay was Chief Operating Officer and Chief Financial Officer of VERSUS Technologies Inc. (a technology company). Prior to 1994, he was a portfolio manager with the Merchant Banking Group of the Ontario Teachers' Pension Plan Board. Mr. Lay is a Chartered Accountant and holds a Bachelor of Business Administration (Honours) degree from the Richard Ivey School of Business at the University of Western Ontario.

*John E. Richardson, FCA.* Mr. Richardson is the Chairman of the Ontario Pension Board (the administrator of the Public Service Pension Plan), a position he has held since June 2004. Mr. Richardson was Deputy Chairman of London Insurance Group (an insurance group) from 1986 to 1995 and then became Executive Vice President, Corporate Development of London Insurance Group Inc. (an insurance company). Prior to 1986, Mr. Richardson was a senior partner at Ernst & Young (chartered accountants). Mr. Richardson is a director of Research in Motion Limited, chairman and director of Boiler Inspection and Insurance Company, director of Intertape Polymer Group, and trustee of Resolve Business Outsourcing Income Fund. Mr. Richardson is a Chartered Accountant, a Fellow of the Institute of Chartered Accountants and holds a Bachelor of Commerce degree from the University of Toronto and a Masters of Business Administration from Harvard Business School.

*Michael Skea.* Mr. Skea is an independent consultant providing strategic planning and marketing solutions, a position he has held since January 2005. Mr. Skea has held senior management positions with leading Canadian companies including the position of Vice President, Trade Marketing of Molson Canada (an international brewer), a position he held from November 2003 to January 2005. Prior to November 2003, Mr. Skea was employed by Mosaic Group Inc. (a marketing and communications company) from August 1998 to November 2003 where he held positions of increasing responsibility including President of the eForce division, President of Mosaic Marketing Services, President of Mosaic Digital and Senior Vice President of Mosaic Performance Solutions (North America). Mr. Skea was Vice President, Sales and Marketing of Bell ExpressVu Limited Partnership (a direct-to-home satellite company) from 1996 to 1998. Mr. Skea holds a Bachelor of Arts degree from Queen's University.

*Robert H.R. Dryburgh.* Mr. Dryburgh is the Executive Vice President of Robertson-Ceco Corporation, a leading manufacturer of custom engineered metal buildings, headquartered in Illinois. Prior to joining Robertson-Ceco, in October 2004, Mr. Dryburgh was President of Straightline Division, United States Steel Corporation, a technology based, steel distribution/supply chain management company, from its start-up in July 2001. From 1992 to 2000, Mr. Dryburgh was President of the Jenisys Engineered Products Division of Jannock Limited. Mr. Dryburgh is a Chartered Accountant and was appointed a Fellow of the Institute of Chartered Accountants in England and Wales in 1979.

The Trustees also act as trustees of AOT and together with Charles M. Phillips and R. John Slattery, also act as directors of AHL and ALPC. Mr. Wright is the non-executive Chairman of AHL and ALPC.

#### **Executive Officers of Armtec**

As at the date hereof, the name, province and country of residence and position and office held with Armtec of each of the executive officers of Armtec and the number of Units beneficially owned, directly or indirectly, or over which control or direction is exercised by each Executive Officer as at March 21, 2006 are as follows:

Name, Province and Country of Residence	Position(s) with Armtec	Number of Units Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised <sup>(1)</sup>
Charles M. Phillips Ontario, Canada	President and Chief Executive Officer	92,691
R. John Slattery Ontario, Canada	Chief Financial Officer and Secretary	12,401
Ceri Howell Ontario, Canada	Vice President, Marketing & Sales	20,262
Thomas Cannon Ontario, Canada	Vice President, Operations	14,290
Ron Prychitko Ontario, Canada	Engineering Manager	1,054

(1) Information has been provided by each Executive Officer.

The following is a brief biography of each of the executive officers of Armtec:

*Charles M. Phillips, President and Chief Executive Officer* — Mr. Phillips has been the President and Chief Executive Officer of Armtec since January 1999. Mr. Phillips was President of the Big 'O' Division of Jannock Limited from February 1998 to January 1999, the Vice President, Finance of the Jenisys Engineered Products Division of Jannock Limited from October 1995 to February 1998 and the Director of Finance of the Jannock Steel Division from February 1990 to October 1995. Mr. Phillips held successively senior positions in Jannock Limited during his tenure with that company, which began in 1987. Mr. Phillips is a trustee of Strongco Income Fund. Mr. Phillips is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Toronto.

*R. John Slattery, Chief Financial Officer and Secretary* — Mr. Slattery has been the Chief Financial Officer of Armtec since May 2002. Mr. Slattery was the Vice President, Finance and Chief Financial Officer of Corporate Express Canada, Inc. (an office products company) from January 2001 to May 2002 and of Universe2U Inc. (a fiber optics company) from August 2000 to December 2000. Mr. Slattery was employed by Jannock Limited from May 1989 to March 2000. During such period, he held successively senior positions from Director of Tax and Corporate Development in 1994 to Vice President, Finance of the Jenisys Engineered Products Division of Jannock Limited. Mr. Slattery is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Toronto.

*Ceri Howell, Vice President, Marketing & Sales* — Mr. Howell has been the Vice President, Marketing & Sales of Armtec since January 2002. Mr. Howell has been employed by Armtec for over 25 years in various positions, including Sales Engineer of the Pacific Region from 1978 to 1983, Alberta Sales Manager from 1984 to 1989, Ontario Region Manager from 1989 to April 1996 and Manager of the International Division from April 1996 to January 2002. Mr. Howell holds a Civil Engineering degree from the Royal Military College of Science and a Marketing and Sales Management diploma from the University of British Columbia.

*Thomas Cannon, Vice President, Operations* — Mr. Cannon has been the Vice President, Operations of Armtec since August 2003. He was Operations Manager of the Kilian Manufacturing Division of The Timken Company (a manufacturing company) from March 2000 to August 2003. Mr. Cannon was Plant Manager for Spacemaker Limited (a home and garden supply company) from 1997 to March 2000 and was Plant Manager of Jet Composites Inc. (a manufacturing company) from August 1991 to 1997. He taught Mechanical Engineering Technology at Fanshawe College from 1981 to 1984. Mr. Cannon holds a Mechanical Engineering diploma from Glasgow University, a Tool & Die Engineering certificate from Motherwell Engineering School and a Teaching Master of Engineering certificate from Fanshawe College.

*Ron Prychitko, Engineering Manager* — Mr. Prychitko has been the Engineering Manager of Armtec since October 2003. Mr. Prychitko has been employed by Armtec for the past 17 years, in the positions of Sales Engineer in the Winnipeg office from 1988 to 1994 and as the Prairie Region Engineer in the Edmonton office from 1994 to October 2003. Mr. Prychitko is a professional engineer and holds a Bachelor of Science degree in Civil Engineering from the University of Manitoba.

### **Voting Securities**

As at March 21, 2006, the Trustees and executive officers of Armtec as a group, beneficially owned, directly or indirectly, or exercised control over, 158,698 Units, being approximately 2% of the outstanding Units.

### **Long-Term Incentive Plan**

Armtec has adopted a long-term incentive plan ("LTIP") to enhance the ability of the Company to attract, retain and motivate key personnel and reward senior management for superior performance and associated cash flow growth of the Fund on a per unit basis. Bonuses, in the form of units of the Fund, will be provided to eligible employees annually where the cash distributed by the Fund exceeds certain specified threshold amounts.

If cash distributions declared per unit exceeds threshold amounts, a percentage of the excess cash distributions declared (the participation rate) is contributed by the Fund into a long-term incentive pool. The funds in this pool are used to purchase units of the Fund in the open market, to be provided to eligible employees as bonus compensation. The units vest evenly over a three-year period. As a result of the 2005 distributions exceeding threshold amounts, an LTIP entitlement of \$541 was approved with the acquisition of units to be completed in early 2006. An LTIP entitlement of \$271 was approved in 2004 with respect to the 2004 distributions.

At March 21, 2006, 20,015 units have been purchased by the LTIP and 6,672 units have vested. The vested units are included in the beneficially owned securities listed above.

## **AUDIT COMMITTEE INFORMATION**

### **Audit Committee Charter**

The responsibilities and duties of the Audit Committee of the Fund are set out in the Audit Committee's Charter, the full text of which is set forth in Appendix A to this AIF.

### **Composition of the Audit Committee Charter**

Each of the members of the Audit Committee has been determined by the Trustees to be "independent" and "financially literate" as such terms are defined under Canadian securities laws. Each member of the Audit Committee has the ability to perform his responsibilities as an Audit Committee member based on his education and/or experience as summarized under "Trustees" above. The Audit Committee is composed of Mr. Jamieson (Chair), Mr. Lay, and Mr. Richardson.

## Pre-approval of Non-audit Services

The Audit Committee Charter grants the Audit Committee the authority to review and recommend any non-audit engagements with the external auditors to the Trustees.

## External Auditor Service Fees

The following table sets forth the fees paid to PricewaterhouseCoopers LLP, Armtec's external auditors for services rendered for the fiscal years 2005 and 2004:

<u>Description of Fees</u>	<u>2005</u> (\$)	<u>2004</u> (\$)
Audit Fees <sup>(1)</sup> .....	135,000	111,100
Audit-related Fees <sup>(2)</sup> .....	17,000	-
Tax Fees <sup>(3)</sup> .....	49,500	42,279
All Other Fees <sup>(4)</sup> .....	71,800	505,000
TOTAL.....	<u>273,300</u>	<u>658,379</u>

Notes:

(1) "Audit fees" include the aggregate professional fees paid to PricewaterhouseCoopers 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 PricewaterhouseCoopers LLP, for the provision of technical, accounting and financial reporting advice and review services.

(3) "Tax fees" include the aggregate fees paid to PricewaterhouseCoopers LLP for the provision of corporate tax compliance, and related tax services.

(4) "All other fees" include the aggregate fees paid to PricewaterhouseCoopers LLP, for the provision of assistance with regulatory filings including compliance with legislative and regulatory initiatives and the provision of tax and other services in the investigation of alternative corporate structures, assistance with structuring, and investigating potential and completed business opportunities.

## Disclosure Committee

In November 2005, the Audit Committee and Trustees of the Fund approved the formation of a Disclosure Committee (the "Committee"). This Committee consists of four members: the CFO (Chair), VP of Sales and Marketing, VP of Operations, and the Manager of Treasury, Planning and Administration. The purpose of this Committee is to ensure that information presented (both financial and non-financial) in all disclosure documents is complete and accurate and to ensure that these documents are filed in a timely fashion in accordance with securities regulations. The Committee will also review all other publicly disclosed information in order to ensure compliance with Armtec's corporate policies and practices. The Chair of the Committee reports to the Audit Committee on a quarterly basis.

## MARKET FOR SECURITIES

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The Units are listed and posted for trading on the Toronto Stock Exchange under the symbol ARF.UN. During the year ended December 31, 2005, the total number of Units outstanding was 9,015,000 and the monthly price ranges and total monthly trading volumes for the Units were as follows:

January 1, 2005 – December 31, 2005	Unit Price (\$'s per Unit)		Total Trading Volume
	High	Low	
January	\$14.30	\$12.85	1,235,420
February	\$15.10	\$14.05	670,336
March	\$15.35	\$12.50	562,221
April	\$14.17	\$13.00	336,998
May	\$14.84	\$12.85	468,499
June	\$14.99	\$14.00	192,939
July	\$16.00	\$13.85	207,625
August	\$16.10	\$14.82	332,387
September	\$16.75	\$14.25	518,332
October	\$15.25	\$12.26	536,447
November	\$15.74	\$13.00	275,226
December	\$17.75	\$15.05	261,909

## **RISK FACTORS**

### **Risks Related to the Business and the Industry**

The Fund is subject to certain risks and uncertainties that could have a material adverse effect on Armtec's results of operations, business prospects, financial condition, cash distributions to unitholders and the trading price of the Units.

#### **Industry Cyclical**

The demand for pipe and related infrastructure products is cyclical and is driven by the public infrastructure, natural resources, residential drainage and agricultural drainage markets. The diverse factors driving infrastructure investment activity in these end-markets result in stability of overall demand for suppliers such as Armtec. To the extent that these investments decline or experience a downturn, this is likely to have a negative impact on the infrastructure industry.

#### **Competition**

The Canadian market for HDPE pipe and CSP is fragmented. Armtec's competitors are comprised primarily of regionally based, private companies, all of which are smaller and less diversified than Armtec. Armtec believes that it is the market leader in the corrugated HDPE pipe, CSP and related engineered products markets in Canada. There are several large companies based in the United States that offer similar products in comparable markets in the United States. Certain of these companies currently compete in Canada in some of our regional markets but currently lack the network of facilities in Canada close to our customers to compete on a broader scale. However, with a rising Canadian dollar exchange rate this may make the Canadian market more attractive for these companies in the future.

Management believes that the success of Armtec's business depends on its ability to continue to anticipate and respond to changing customer demands and market conditions by offering a constantly evolving array of engineered solutions with an emphasis on quality and value-added services. With its leading market position, brand recognition, breadth of product lines, established supplier and customer relationships and experienced management, management believes that Armtec can continue to compete successfully in Canada.

#### **Reduction in Demand for Products**

Armtec derives revenue from customers in a diverse cross-section of industries, including the public infrastructure markets and private sector markets such as natural resources, residential drainage and agricultural drainage in Canada. Its sales to the public infrastructure markets could be adversely affected by changes in government, reductions in government spending or changes in governmental policies, regulations or standards (including the CSA standards). With respect to the private sector markets, there is a risk that Armtec will not continue to receive the level of order volumes from customers in such markets in the future due to a general economic downturn, increased competition or other factors. In addition, demand for Armtec's

products in a particular period may be adversely affected if the weather conditions experienced in the period are not conducive to the installation of such products.

#### **Collections from Customers**

Armtec is dependent in part on the viability of its customers for collections of trade accounts receivable and notes receivable. Armtec cannot assure that its customers will not experience financial difficulties in the future and Armtec may not collect all of its trade accounts receivable or notes receivable.

#### **Relationships with Suppliers**

Armtec currently relies on a limited number of suppliers for its key materials. Armtec has maintained long-term relationships with key suppliers of raw materials, which have resulted in a competitive advantage in procurement and reliability of supply. Armtec's principal steel supplier recently experienced financial difficulties. Therefore, there is no assurance that it (or any other supplier of raw materials) will be able to continue supplying Armtec with the same quantity of materials, or on the same terms, that it does under existing arrangements. There can be no assurance that, in the event Armtec is required to change from current suppliers (whether as a result of a significant deterioration in the suppliers' financial position or otherwise), alternative sources of supply will be available on terms comparable to existing arrangements.

#### **Lack of Long-Term Agreements**

Historically, Armtec has typically not entered into written long-term agreements with its customers or its suppliers. As a result, customers or suppliers may, with little or no notice or penalty, terminate their relationship with Armtec at any time. In addition, even if customers or suppliers should decide to continue their relationship with Armtec, there can be no guarantee that customers will purchase or suppliers will supply the same amount of product as in the past, or that purchase or supply, as the case may be, will be on similar terms.

#### **Expiration of Rights under License and Distribution Arrangements**

A portion of Armtec's revenue is generated from the sale of products, which are subject to license arrangements or are distributed by Armtec pursuant to distribution arrangements. Armtec will need to take steps to either negotiate the renewal or extension of its current license and distribution arrangements when they expire or to otherwise compensate for the lost revenue from the sale of such products. There can be no assurance that the Fund will be able to successfully negotiate extensions or renewals of the relevant license or distribution arrangements or develop alternate sources of revenue under any license or distribution arrangements, which may be terminated or not renewed. Furthermore, Armtec's license arrangement with Isola AS concerning its Platon product contains a non-competition covenant applicable to Armtec pursuant to which Armtec has agreed to not manufacture or sell any products which are competitive with Platon for a period of two years following termination of such arrangement. Assuming that the non-competition covenant is enforced against Armtec, Armtec will be prohibited from being involved in a market in which it currently competes for a two-year period if the license arrangement with Isola AS is terminated.

#### **Raw Material Price Volatility**

Various raw materials are used in the products manufactured by Armtec, and such raw materials may be subject to economic cyclicalities and seasonality and wide price variations. In particular, the primary raw materials used in Armtec's plastic and steel products are various types and grades of resins and steel, respectively. These raw materials are sourced and traded throughout the world and are subject to pricing volatility. Consistent with past and current practices within the industry, Armtec manages its exposure to raw material price volatility by passing this volatility through to customers, wherever possible. However, there can be no assurance that the industry dynamics will allow Armtec to continue to reduce its exposure by passing through raw material price increases to its customers.

#### **Product Liability**

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of Armtec's products or lawsuits and would be detrimental to Armtec's market reputation. Armtec's products and the products incorporated from third parties may not be defect free. Undetected defects or performance problems may be discovered in the future. Armtec may not be able to successfully complete the development of planned or future products in a timely manner or to adequately address product defects, which

could harm Armtec's business and prospects. In addition, product defects may expose Armtec to product liability claims, for which it may not have sufficient product liability insurance.

### **Intellectual Property**

Armtec uses various manufacturing processes to produce drainage products and engineered solutions for infrastructure applications. There can be no assurances that such processes and products do not violate any third-party intellectual property rights. If they do, Armtec may be liable for potentially substantial damages relating to a patent or other intellectual property infringement action against it or may be prohibited from using the affected processes and producing the affected products unless it obtains an appropriate license from the relevant party. Armtec cannot be assured of obtaining any such license on commercially favourable terms, or at all.

Armtec relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures, licenses and agreements to protect its proprietary rights and certain proprietary rights licensed to Armtec under various distribution arrangements (collectively, the "Proprietary Technologies"). Despite efforts to protect the Proprietary Technologies by Armtec or the licensor of any of the Proprietary Technologies (the "Licensor"), unauthorized parties may attempt to copy aspects of Armtec's products or obtain information that Armtec regards as proprietary. Policing unauthorized use of the Proprietary Technologies, if required, may be difficult, time-consuming and costly. There can be no assurance that the Licensor's or Armtec's means of protecting the Proprietary Technologies will be adequate. Furthermore, the patents on the Proprietary Technologies may be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage to Armtec.

### **Reliance on Key Personnel**

Armtec's operations are dependent on the abilities, experience and efforts of its senior management and key sales and support personnel. While Armtec has entered into employment agreements and/or confidentiality and non-compete agreements with some of its key employees, should any of its key employees be unable or unwilling to continue his or her employment with Armtec, the financial performance of Armtec could be significantly adversely impacted.

### **Environmental**

Armtec is subject to a wide range of federal, provincial and municipal environmental laws and regulations that govern the discharge of materials into the environment and the investigation and clean-up of environmental contamination. Armtec believes that the conduct of its operations is currently in material compliance with existing environmental laws and regulations. In conjunction with independent engineering firms, Armtec has examined its manufacturing facilities to identify potential clean-up obligations and other environmental issues. To date, the costs incurred in complying with environmental laws and regulations, including the cost of clean-up and remediation, have not had an adverse effect on Armtec's financial condition.

Management believes that Armtec has appropriately provided for expected environmental obligations that it may incur. However, estimating environmental liabilities at any site is complex and is dependent on the nature and extent of the information that is available about the site, the complexity and nature of any contamination and other matters. Armtec cannot predict with certainty the amount of future costs that may be incurred to satisfy its environmental obligations. Changes in laws and regulations are ongoing and may make environmental compliance, such as emission control and clean-up obligations, increasingly expensive.

### **Collective Bargaining**

On average during the year, 62 employees at six manufacturing plants are subject to collective bargaining agreements. While management believes that Armtec's relations with its employees are excellent, there are no assurances that a strike or other disruption by its unionized employees will not occur.

### **Interest Rates**

Armtec's credit facilities are subject to floating interest rates and, therefore, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond Armtec's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on Armtec's financial performance. Armtec entered into an interest rate swap to mitigate its interest rate risk on \$11.5 million of the \$32.7 million borrowed under

the \$35.0 million term facility. The swap fixes the interest rate on the hedged portion of the term facility at an effective rate of 3.8% and the hedge instrument expires on July 27, 2007. Management believes this to be an effective hedge. However, Armtec is still subject to interest rate risk on the remaining \$21.2 million of the term loan facility borrowed, as well as market value fluctuations on the hedge itself, and fluctuations on interest incurred on the revolving credit facility.

#### **Uninsured and Underinsured Losses**

Armtec maintains insurance policies with insurers in amounts and with coverages and deductibles that management of Armtec believes are reasonable and prudent. Armtec maintains comprehensive property, casualty and liability insurance with coverages and amounts that it believes are sufficient to repair or replace any assets physically damaged or destroyed, resultant business interruption losses or extra expenses sustained, and to cover claims with respect to bodily injury or property damage arising out of assets or operations. However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of Armtec.

#### **Operating Hazards**

Armtec's revenue is dependent on the continued operation of its facilities. The operation of facilities involves some risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of Armtec are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including industrial chemicals. These hazards can cause fatal personal injury, severe damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials.

#### **Risk of Future Legal Proceedings**

Armtec may be threatened from time to time with, or may be named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Armtec, or the imposition of a significant fine or penalty, as a result of a finding that Armtec has failed to comply with laws or regulations could have a material adverse effect on Armtec.

### **Risks Related to the Structure of the Fund**

#### **Dependence on Armtec Entities**

The Fund is an unincorporated, open-ended limited purpose trust which is entirely dependent on the operations and assets currently owned by AOT through its direct and indirect ownership interests in AHL and ALP. Cash distributions to Unitholders are dependent on the ability of ALP to make distributions which are ultimately paid to the Fund. There can be no assurance regarding the amounts of income to be generated by ALP and amounts paid to the Fund. The actual amount distributed in respect of the Units depends upon numerous factors, including profitability, fluctuations in working capital, capital expenditures and compliance with covenants under the proposed credit facility.

#### **Income Tax Matters**

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations of the Fund would be materially and adversely different in certain respects. There can also be no assurance that taxation authorities will accept other tax positions adopted by the Fund, including its determination of the amounts of federal and provincial income and capital taxes and interest expense, which could adversely affect the amount of distributable cash.

In 2006, there was a change in the federal government of Canada. There can be no assurance that the new government will maintain the taxation policies currently in effect. Accordingly, changes in this area are possible.

Income fund structures generally involve significant amounts of inter-company or similar debt, generating substantial interest expense which serves to reduce 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. If such a challenge were to succeed against one or more of the subsidiaries of the Fund, it could materially adversely affect the amount of distributable cash available. The Fund believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the indebtedness.

Further, there can be no assurance that tax authorities will not seek to challenge the allocation of income or loss from ALP to its partners or the value of the Class B limited participation partnership units of ALP. If such a challenge were to succeed, it could adversely affect the distributable cash available or the allocation of income by the Fund. The Fund believes that the provisions regarding allocation of income or loss of ALP and the value of the Class B limited participation partnership units of ALP are supportable and reasonable in light of the attributes of the partnership interests and the other circumstances.

Interest on the AOT Notes accrues at the Fund level for Canadian federal income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's net income tax liability to zero. Where interest payments on the AOT Notes are due but not paid in whole or in part, the Declaration of Trust provides that additional Units must be distributed to unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their income in circumstances when they do not directly receive a cash distribution.

#### **Leverage and Restrictive Covenants**

The ability of the Armtec Entities to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the proposed credit facility). The degree to which the Armtec Entities are leveraged could have important consequences to the holders of the Units, including: (1) the fact that the Armtec Entities' ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (2) a significant portion of the Armtec Entities' 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 to pay distributions; (3) certain of the Armtec Entities' borrowings will be at variable rates of interest, which exposes the Armtec Entities to the risk of increased interest rates; and (4) the Armtec Entities may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may increase the sensitivity of distributable cash to interest rate variations. The credit facility contains numerous restrictive covenants that limit the discretion of Armtec's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Armtec Entities to incur additional indebtedness, to create liens or other encumbrances, to pay distributions on its shares 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 facility contains a number of financial covenants that require the Armtec Entities to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the proposed credit facility could result in a default which, if not cured or waived, could result in a termination of distributions by the Armtec Entities and permit acceleration of the relevant indebtedness. If the indebtedness under the credit facility, including any hedge contracts with the lenders, were to be accelerated, there can be no assurance that the assets of the Armtec Entities would be sufficient to repay in full that indebtedness.

#### **Credit Facilities**

Armtec's credit facilities mature in February 2009, with full repayment due at maturity. The Armtec Entities will have to refinance the credit facilities when such credit facilities expire. If the credit facilities are replaced by new debt that has less favourable terms or if the Armtec Entities cannot refinance their debt, funds available for distribution to the Fund and cash distributions to Unitholders may be adversely impacted.

In addition, any failure by any of the Armtec Entities to comply with its obligations under the credit facilities (including the failure to meet certain covenants and financial ratios) may restrict the ability of each of the Armtec Entities to pay interest or dividends or make distributions, each of which could adversely impact cash distributions on the Units.

#### **Nature of Units**

Securities like the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in Armtec's business and should not be viewed by investors as shares or debt in any of the Armtec Entities.

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 notes of an affiliate of the Fund directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for such notes. In addition, such notes are not expected to be freely tradable or listed on any stock exchange. Such notes or other securities so distributed may not be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans, depending upon the circumstances at the time.

#### **Restrictions on Potential Growth**

The payout by ALP 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 ALP and the related cash flow to the Fund.

#### **Effect of Market Interest Rates on Price of Units**

One of the factors that may influence the price of the Units in public trading will be the annual return from distributions by the Fund on the Units as compared to returns on other financial instruments. An increase in market interest rates will result in higher returns on other financial instruments, which could adversely affect the market price of the Units.

#### **Undiversified and Illiquid Holdings in AOT**

The Fund's holding of AOT Units and AOT Notes is undiversified, and such securities are illiquid, as they are not expected to be listed or quoted on any stock exchange or other market.

#### **Potential Dilution**

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

### **PROMOTER**

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During the IPO in 2004, ONCAP acted as a promoter of the Fund within the meaning of applicable securities legislation. As at December 31, 2005, ONCAP did not beneficially own any Units.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

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The auditors of the Fund are PricewaterhouseCoopers LLP, Mississauga, Ontario.

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal office in Toronto.

## **MATERIAL CONTRACTS**

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The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Fund, or any of its subsidiaries or their predecessors within the most recently completed financial year or before the most recently completed financial year but are still in effect.

- the Declaration of Trust referred to at page 10 of this AIF.
- the AOT Note Indenture referred to at page 17 of this AIF.
- the AOT Declaration of Trust referred to at page 1 of this AIF.
- the limited partnership agreement dated July 16, 2004 between AHL, ALPC and each person who is admitted to the limited partnership as a limited partner, pursuant to which ALP was established.
- the existing credit agreement dated July 27, 2004 between AOT, ALP and The Bank of Nova Scotia and Bank of Montreal (collectively, the "Lenders") as amended on February 1, 2006 pursuant to which the Lenders have agreed to provide a credit facility in an aggregate maximum principal amount of \$60,000,000 to AOT and ALP comprised of a term loan facility in the maximum principal amount of \$35,000,000 in favour of AOT and a revolving loan facility in the maximum principal amount of \$25,000,000 in favour of ALP.
- the administration agreement dated July 27, 2004 among the the Fund, AOT, AHL, ALPC and ALP pursuant to which ALP has agreed to provide (for no additional consideration, other than reimbursement by the Fund of out-of-pocket expenses for provision of such services) administrative and support services to the Fund, AOT, AHL and ALPC.
- the Long-term Incentive Plan of ALP.
- the asset purchase agreement dated February 1, 2006 between ALP and Twister pursuant to which ALP purchased the operating assets of the steel corrugated pipe division of Twister.

## **INTERESTS OF EXPERTS**

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PricewaterhouseCoopers LLP, chartered accountants, have reported on the Fund's financial statements for the year ended December 31, 2005. PricewaterhouseCoopers LLP has no registered or beneficial interests, direct or indirect, in Armtec's securities.

## **ADDITIONAL INFORMATION**

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Additional information relating to the Fund may be found on SEDAR at [www.sedar.com](http://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, if applicable, will be contained in the Fund's management information circular for its annual meeting of Unitholders to be held on June 14, 2006. Additional financial information is provided in the Fund's financial statements and management's discussion and analysis for the financial year ended December 31, 2005.

**ARMTEC INFRASTRUCTURE INCOME FUND**

**Audit Committee Charter**

**PURPOSE**

The trustees (the "**Trustees**") of Armtec Infrastructure Income Fund (the "**Fund**") have established an audit committee (the "**Audit Committee**") to assist them in fulfilling their responsibility for overseeing the Fund's financial reporting process. This Charter sets out the mandate and responsibilities of the Audit Committee. For the purpose of this Charter, any reference to "**management**" shall include officers and senior employees of Armtec Limited Partnership ("**ALP**") and Armtec Holdings Limited.

**COMPOSITION**

The Audit Committee shall be comprised of not fewer than three Trustees, each of whom is an independent Trustee, and a majority of whom must be resident Canadians. For purposes of this Charter, an "**independent**" Trustee is one who has no direct or indirect material relationship with the Fund. A "**material relationship**" is a relationship which could, in the view of the Trustees, reasonably interfere with the exercise of a Trustee's independent judgement. Examples of individuals with a material relationship to the Fund may include:

- (a) an individual who is, or who has been, or whose immediate family member is, or has been, an employee or executive officer of the Fund;
- (b) an individual who is, or has been, or whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Fund;
- (c) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the Fund's current executive officers serve on the entity's compensation committee;
- (d) an individual who has a relationship with the Fund pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Fund or any subsidiary entity of the Fund, other than as remuneration for acting in his or her capacity as a Trustee or a member of any committee of the Trustees, or as a part-time chair or vice-chair of the Trustees or any committee of the Trustees;
- (e) an individual who receives, or whose immediate family member receives, more than \$75,000 per year in direct compensation from the Fund, other than as remuneration for acting in his or her capacity as a Trustee or a member of any committee of Trustees, or as a part-time chair or vice-chair of the Trustees or any committee of Trustees; and
- (f) an individual who is an affiliated entity of the Fund or any of the Fund's subsidiary entities.

This list is not meant to be exhaustive. For further guidance on the issue of independence, Trustees should consult section 1.4 of Multilateral Instrument 52-110 - Audit Committees.

All members of the Audit Committee shall be financially literate. "**Financial literacy**" means 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.

## **AUTHORITY**

In recognition of the fact that the external auditors are ultimately accountable to the Trustees and the Audit Committee as representatives of the unitholders, the Audit Committee shall have the primary responsibility to select, evaluate and recommend to the Trustees the appointment or re-appointment and where appropriate, replacement of, the external auditors and shall review and recommend all audit engagement fees and terms and all non-audit engagements with the external auditors. The Audit Committee will also discuss the rotation of the engagement of the audit partners when required. The Audit Committee shall consult with management but shall not delegate its responsibilities.

## **RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Audit Committee shall:

- (a) Review the accounting principles, policies and practices followed by the Fund and its subsidiaries and controlled entities in accounting for and reporting its financial results of operations and satisfy themselves as to the appropriateness thereof.
- (b) Review the Fund's audited annual consolidated financial statements and the unaudited quarterly financial statements.
- (c) Review and recommend to the Trustees for approval any accompanying report to unitholders and related documents such as the Management's Discussion and Analysis and related press releases.
- (d) Make recommendations to the Trustees with respect to the selection of the external auditors to be put forward to the unitholders at the annual meeting.
- (e) Obtain annually a formal written statement from the external auditors delineating all relationships between the audit firm and the Fund, and review and discuss with the external auditors such relationships to determine the "independence" of the auditors.
- (f) Review any management letter prepared by the external auditors concerning the Fund's internal financial controls, record keeping and other matters and management's response thereto.
- (g) Discuss with the external auditors their views about the quality of the implementation of Canadian generally accepted accounting principles, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles and meet in private with appropriate members of management and separately with the external auditors to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.
- (h) Approve the scope of the annual audit, the audit plan, the access granted to the Fund's records and the co-operation of management in any audit and review function and pre-approve the scope and cost of any non-audit services to be undertaken by the Fund's external auditors.
- (i) Review the effectiveness of the independent audit effort, including approval of the fees charged in connection with the annual audit, any quarterly reviews and any non-audit services being provided.
- (j) Assess the effectiveness of the working relationship of the external auditors with management and resolve any disagreements between management and external auditors regarding financial reporting.
- (k) Review key regulatory developments and their implications for the Fund.
- (l) Review the risk management policies followed by the Fund in operating its business activities and the completeness and fairness of any disclosure thereof.
- (m) Review annually this Charter for adequacy and recommend any changes to this Charter to the Trustees.

- (n) Report to the Trustees on the major items covered at each Audit Committee meeting and make recommendations to the Trustees and management concerning these matters.
- (o) Ensure that the appropriate internal controls over financial reporting are in place, and that the Fund's public disclosure of financial information is timely and accurate, so as to permit the Chief Executive Officer and the Chief Financial Officer to provide the required certification of the Fund's annual and interim filings.
- (p) Review and approve the Fund's hiring policies regarding partners, employees and former partners and employees of present and former external auditors of the Fund.
- (q) Ensure that the financial information required by the various committees of the Trustees is available to them so as to permit them to fulfil their mandates.
- (r) Perform any other activities consistent with this Charter, the Fund's Declaration of Trust and governing law as the Audit Committee or the Trustees deem necessary or appropriate.

#### **RELATIONSHIP TO INTERNAL AUDIT**

The Audit Committee will:

- (a) Review and approve management's decisions relating to any potential need for internal auditing, including whether this function should be outsourced and if such function is outsourced, approve the supplier of such service.
- (b) Ensure that an effective system of internal control over financial reporting has been designed and is being implemented.
- (c) Approve the mandate for the internal audit function.
- (d) Review annually the internal audit department's objectives, goals, staffing and financial budget.
- (e) Ensure that the Chief Financial Officer has direct and open communication with the Audit Committee with respect to planned audits, findings, recommendations and management response thereto, and that he or she meets with the Audit Committee without other management personnel present.
- (f) Ensure that, taken together, the work of the internal and external auditors provide an appropriate level of audit coverage and are effectively coordinated.

#### **AUDIT COMMITTEE MEETINGS**

The Audit Committee will meet on a regular basis, at least quarterly, and will hold special meetings as circumstances require. The timing of the meetings, and the calling of and procedure at meetings, shall be determined by the Chairman of the Audit Committee. A majority of the members of the Audit Committee present in person or participating by conference telephone shall constitute a quorum of the Audit Committee (provided that a majority of the members comprising such quorum shall not be non-residents of Canada).

The acts of the Audit Committee at a duly constituted meeting shall require no more than the vote of a majority of the members present. A resolution or other instrument in writing signed by all members of the Audit Committee shall constitute an act of the Audit Committee.

## **RESOURCES**

The Audit Committee shall have the authority to retain independent legal, accounting and other consultants to advise it. The Audit Committee may request that any member of management or outside consultant attend a meeting of the Audit Committee or meet with any members of, or consultants to, the Audit Committee.

The Audit Committee shall advise the Trustees on the extent of funding, if any, that may be necessary for payment of compensation to any consultants retained to advise the Audit Committee.

**Approved by the Trustees on  
September 29, 2004.**