

Armtec Infrastructure Income Fund

Management's Discussion and Analysis For the year ended December 31, 2008

The following Management's Discussion and Analysis ("MD&A") of Armtec Infrastructure Income Fund for the year ended December 31, 2008, should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto and other public disclosures available. In this MD&A, the term "the Fund" means Armtec Infrastructure Income Fund, together with its portion of the joint venture, Fixon-Armtec Ltd., and its subsidiaries: Armtec Operating Trust ("AOT"), Armtec Exchangeable Partnership ("AEP"), Armtec AEP GP Limited, Armtec Holdings Limited ("AHL"), Armtec Limited Partnership Corp., Armtec Limited Partnership ("ALP") and Durisol Consulting Services Inc.

This MD&A has been prepared as at March 26, 2009. Additional information regarding the Fund, including continuous disclosure materials such as the Annual Information Form, is available on the Fund's website at www.armtecincomefund.com or through SEDAR at www.sedar.com. The Fund's units trade on the Toronto Stock Exchange under the symbol ARF.UN.

The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"); however, reference is made to earnings before interest, taxes (other than capital taxes), depreciation and amortization and certain non-cash impacts resulting from purchase accounting ("EBITDA"), and distributable cash, including references to sustaining and generative capital expenditures, that are not a measure of financial performance under Canadian GAAP. The Fund has included this information as it is used by management as a measure of financial performance, and management believes it is used by certain investors and analysts as a measure of the Fund's financial performance. These measures are not necessarily comparable to similarly titled measures used by other income funds or companies and should not be construed as an alternative to net earnings or cash flow from operating activities as determined in accordance with Canadian GAAP or as a measure of liquidity. See the sections entitled "Liquidity, Distributable Cash and Distributions" and "Non-GAAP Measures" for further information.

Unless indicated otherwise, all dollar amounts, except per unit amounts, are expressed in thousands of Canadian dollars. All prior period results have been reclassified to conform to the current presentation.

Overview of the Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 15, 2004, as amended and restated on July 27, 2004 (the "Declaration of Trust"). The Fund commenced active operations on July 27, 2004.

The Fund is a leading manufacturer and marketer of a comprehensive range of infrastructure products and engineered construction solutions for customers in a diverse cross-section of industries that are located in every region of Canada, as well as in selected markets in North America and worldwide. These markets include Canada's national and regional public infrastructure markets and private sector markets in agricultural drainage, commercial building, residential construction and natural resources. Operating through its three divisions and with a network of offices and production facilities across the country, the Fund is Canada's only national multi-material manufacturer. The Armtec division specializes in high density polyethylene ("HDPE") and corrugated steel pipe ("CSP") products for drainage and bridge applications and water management systems. The Con-Force division offers a wide variety of precast and pre-stressed concrete products, as well as advanced construction components and high-value engineered solutions to large project customers. The Durisol division provides a full suite of highway noise barriers and related infrastructure products to the transportation sector.

Results of Operations

For the periods ended December 31 (in thousands of Canadian dollars unless otherwise noted)	Fourth Quarter		Year Ended	
	2008 (unaudited)	2007 (unaudited)	2008	2007
Revenue	\$ 117,084	\$ 70,768	\$ 392,063	\$ 206,226
Cost of sales	80,604	49,998	269,980	140,831
Amortization of property, plant and equipment	2,736	1,365	8,345	4,069
Gross margin	33,744	19,405	113,738	61,326
As a % of revenue	28.8%	27.4%	29.0%	29.7%
Distribution and warehousing	6,107	2,313	18,667	9,089
Selling, general and administrative	12,317	8,753	42,243	25,496
Amortization of intangible assets	3,616	3,609	12,206	5,578
Earnings from operations	11,704	4,730	40,622	21,163
Interest and financing expenses	(4,241)	(1,408)	(9,197)	(2,817)
Earnings before taxes	7,463	3,322	31,425	18,346
Interest and financing expenses	4,241	1,408	9,197	2,817
Total amortization	6,352	4,974	20,551	9,647
Fair value increments of acquired inventory	881	-	1,214	-
EBITDA	\$ 18,937	\$ 9,704	\$ 62,387	\$ 30,810
As a % of revenue	16.2%	13.7%	15.9%	14.9%

Overview

Armtec Infrastructure Income Fund's Strategy

Armtec Infrastructure Income Fund completed a number of important steps during 2008 that were part of its growth strategy. The Fund completed seven acquisitions in 2008 (the "2008 Acquisitions"), directed towards building diversity across regions, end-use markets and product lines, namely: (i) growing a national precast platform, (ii) developing a stronger precast standard products revenue base, (iii) introducing new products, and (iv) seeking "bolt-on" opportunities.

Growing a national precast platform

The Fund's strategy of expanding its geographic coverage to build a national precast platform was furthered through the Con-Force division's acquisition of the assets of the Brooklin Concrete division ("Brooklin") from Clearford Industries Inc. ("Clearford"). Brooklin expanded the Fund's reach of its precast platform into Ontario, being a leading manufacturer of septic tanks, reflective roof tiles, paving stones and other standard precast concrete products. This expansion was continued through the acquisition of the outstanding shares in Boucher Precast Concrete Ltd. ("Boucher") located near Ottawa, Ontario. The Con-Force division also completed the acquisition of the outstanding shares in 1219316 Alberta Ltd. (Con-Force Concrete Products – "CFCP"), a subsidiary of Burnco Rock Products Limited. CFCP is based in Alberta and provides products to both the infrastructure and residential markets. This acquisition added the ability to produce hollow core products in Alberta, whereas previously Con-Force only offered this product in British Columbia and Manitoba.

Developing a stronger precast standard products revenue base

In line with the strategy of developing a stronger precast standard products revenue stream within the Con-Force division, the Fund acquired the outstanding shares of A.E. Concrete Precast Products Ltd. ("AE Concrete"). A market leader in the British Columbia marketplace, AE Concrete manufactures utility vaults and a versatile precast retaining wall system. Brooklin furthered the Con-Force division's standard products strategy through an extensive line of paving stones and small retaining wall systems. In addition, CFCP provides standard products to both the infrastructure and residential markets in the Western Canadian marketplace.

Introduction of new products

A new division was established during 2008 with the acquisition of the outstanding shares of Durisol Inc. and its related companies ("Durisol"). Durisol manufactures highway noise barriers and related infrastructure products, such as retaining walls and acoustic enclosures with the most common application being highway construction, particularly near residential areas. The acquisition of Boucher also gave the Fund access to expertise in

segmental rings used in tunneling, pipe rehabilitation and public transit systems. Brooklin introduced an extensive line of paving stones and small retaining wall systems to the Fund's product offering.

Seeking "bolt-on" opportunities

The early 2008 acquisition of certain tangible and intangible assets and liabilities of Bruce Tile ("Bruce Tile") increased the Armtec division's geographic and customer coverage for drainage tile used in agricultural applications in Southern Ontario. The Fund also expanded its agricultural business in Ontario through the acquisition of certain assets of Oxford Plastics Inc. ("Oxford"), a tubing manufacturer in Southern Ontario. Under this agreement, the Armtec division acquired customers as well as inventory and equipment used in the manufacture of HDPE drainage tile for the agricultural and building trades markets.

2009 Equity Issuance

Subsequent to the year end, the Fund entered into an agreement with a syndicate of underwriters under which 3,100,000 trust units were issued, representing gross proceeds of \$55,025. The funds, net of expenses, will be used to repay the Fund's outstanding \$50.0 million bridge term loan in April 2009. The equity issuance provides additional financial flexibility to the Fund.

Full Year Results

Revenue

For the year ended December 31, 2008, revenues were \$392.1 million, an increase of \$185.9 million, or 90.1% over \$206.2 million earned in 2007. Of this increase, \$139.3 million was as a result of the Con-Force division originally acquired in October 2007 and further expanded in 2008 through the acquisitions of AE Concrete, Brooklin, Boucher and CFCP (the "Con-Force Acquisitions"). In 2008, revenues from structural products were derived from many large projects carrying over from 2007 related to parkade and bridge projects. Large projects in 2008 such as the Golden Ears Bridge and the Tecumseh parkade have been substantially completed. New projects, such as the Calgary airport parkade project and the recent athletic complex awarded by WinSport Canada (formerly the Canadian Olympic Development Association), began production late in 2008 and will continue into 2009.

The Armtec division contributed \$16.4 million to the Fund's revenue growth. Revenues were \$190.5 million for the year ended December 31, 2008, a 9.4% increase over \$174.1 million in 2007. Increased spending in Central and Eastern Canada for highway improvement projects generated overall growth in the infrastructure market, offsetting a softening in the Western Canadian marketplace. The international infrastructure market returned to historical levels in 2008 with increased sales realized on multiple projects. The agricultural markets were strong contributors to the Armtec division's performance in 2008. While residential sales were solid during the first half of 2008 these sales did soften with the economic downturn in the fourth quarter. The division also expanded its geographical reach and customer base through the "bolt-on" acquisitions of Bruce Tile and Oxford.

The Fund has earned incremental revenues of \$30.1 million from the Durisol division since its acquisition on June 5, 2008. Revenues were derived from a strong backlog of projects in Canada and the United States ("U.S."). The division recognized revenues from a number of transportation infrastructure projects primarily related to the supply of sound absorptive wall panels. In conjunction with the Con-Force facilities and utilizing the Fund's existing sales force, the Fund plans to expand the Durisol product line outside of its current geographic footprint. The division continues to seek a number of new opportunities in Western Canada.

Earnings from Operations

Earnings from operations for the year ended December 31, 2008, were \$40.6 million compared to \$21.2 million in the prior year; an increase of \$19.4 million, or 91.9%, over 2007. Gross margin for 2008 was \$113.7 million representing an increase of \$52.4 million over 2007 gross margin of \$61.3 million. As a percentage of revenues, gross margin decreased to 29.0% as compared to 29.7% in 2007.

Earnings have increased due to a full year of contribution from the 2007 Con-Force acquisition and the 2008 Acquisitions. Approximately half of Durisol's revenues were derived from the U.S. and the Durisol division realized improved margins due the weakness of the Canadian Dollar versus the U.S. Dollar. The Armtec division experienced compressed margins in 2008 as compared to prior years with changes in geographic and product mix. Armtec historically has been able to realize raw material price changes in their pricing strategy. In 2008 the price increase associated with raw materials occurred so rapidly that it was difficult to pass the entire increase through market pricing on a timely basis. Amortization of property, plant and equipment increased to \$8.3 million from \$4.1 million in 2007 mainly due to the addition of the Con-Force business in October 2007 and the 2008 Acquisitions. As a percentage of revenues, amortization on property plant and equipment is consistent at approximately 2.0%.

Distribution and warehousing costs were \$18.7 million compared to \$9.1 million in 2007. These costs vary with sales mix, the volume of products sold and the delivery service requirements of the end customer. The 2008 acquisitions of Durisol, CFCP, Brooklin and AE concrete have added to the distribution costs given the nature of the products offered.

Selling, general and administrative expenses were \$42.2 million or 10.8% of revenues as compared to \$25.5 million or 12.4% of revenues for 2007. The dollar increase primarily relates to the 2008 Acquisitions. Additional administrative costs of approximately \$0.6 million were incurred in 2008 to support the transition of the four Con-Force division acquisitions into the operations of the Fund.

Amortization of intangible assets increased to \$12.2 million from \$5.6 million in 2007 primarily due to the amortization of the intangible assets acquired through the 2007 addition of Con-Force and the 2008 Acquisitions. Significant intangible assets have been added for customer-based intangibles, trade names and product know-how. Amortization of intangibles related to contracts in backlog at the time of acquisition represented \$4.7 million for the year.

Results by Segment

ARMTEC DIVISION

Results of Operations For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2008 (unaudited)	2007 (unaudited)	2008	2007
Revenues to external customers	\$ 46,999	\$ 38,660	\$ 190,479	\$ 174,118
Earnings from operations	\$ 2,679	\$ 2,307	\$ 16,154	\$ 18,740

Revenue

Revenues for the Armtec division totaled \$190.5 million for the year ended December 31, 2008, an increase of \$16.4 million or 9.4% over \$174.1 million in 2007. The improvement was the result of increased activity in infrastructure markets, agricultural drainage, residential and commercial construction across most regions in Canada, offsetting declines in the natural resource market. Increased spending on infrastructure by municipalities and provinces for highway improvement projects translated into sales growth in the infrastructure market, particularly in Central and Eastern Canada which offset softening demand in Western Canada. The international infrastructure marketplace returned to historical levels with increased sales of engineered products realized on multiple projects.

A major portion of the division's growth was derived from the agricultural drainage market in 2008. Improved crop prices translated into additional investments in yield enhancing drainage. The "bolt-on" acquisitions of Bruce Tile and Oxford during the year also expanded the geographical reach and customer base for Armtec's drainage products. Activity in the residential building and commercial construction markets, during most of 2008, was above historical levels.

During 2008, the natural resource market experienced declines, particularly the forestry sector, due to the reduction in pulp and paper prices and mill closures associated with the downturn in the U.S. housing market. A reduction in commodity prices during the second half of 2008 resulted in reduced spending on mining and oil and gas projects. Regionally, Western Canada experienced softer sales though this softness was partially offset by expansion of the division's customer base in the natural resource sector in Eastern Canada.

Despite fluctuations in the U.S. dollar exchange rate and volatility in raw material costs, sales of geosynthetics were strong in all regions across Canada compared to 2007. Geosynthetics are strategically sourced in the U.S. and distributed through the division's national network.

Earnings from Operations

Earnings from operations for the year ended December 31, 2008, were \$16.2 million or 8.5% of revenues representing a decline of \$2.6 million from 2007 levels of \$18.7 million or 10.8% of revenues. Lower margins were the result of product and geographical mix as well as higher input costs. In 2008 the industry experienced unprecedented raw material price increases, particularly the costs of steel and resin which rose dramatically in the middle of the construction season and significantly declined in the latter part of 2008.

Distribution and warehousing costs increased in 2008 by \$3.7 million over 2007. These costs vary by product mix and customer delivery requirements. Both increased fuel costs and changes in volumes, particularly related to

agricultural tubing, contributed to this increase over 2007. Selling, general and administrative expenses as a percentage of revenues decreased 1.8 percentage points year over year. The amortization of intangible assets, as a percentage of revenues, was on par with 2007 at 1.5%, although increased slightly in dollar terms as a result of the additional customer-based intangibles obtained through the acquisitions of Bruce Tile and Oxford.

CON-FORCE DIVISION

Results of Operations For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2008 (unaudited)	2007 (unaudited)	2008	2007
Revenues to external customers	\$ 56,955	\$ 32,108	\$ 171,445	\$ 32,108
Earnings from operations	\$ 5,733	\$ 2,423	\$ 18,947	\$ 2,423

Revenue

The Con-Force division's revenues for the year ended December 31, 2008, were \$171.5 million being the first full year of results for Con-Force since the division's acquisition in October of 2007. Also contributing to the division's continued growth, over the 2007 level of \$32.1 million were the Con-Force Acquisitions.

The Con-Force division focuses operationally in two key areas: the concrete products group and the structures group. AE Concrete and Brooklin form part of the concrete products group, with Boucher manufacturing products consistent with the structures group. CFCP's operations service both groups.

Revenues related to ongoing structural projects increased slightly year over year primarily derived from a number of projects the majority of which were being funded by public infrastructure investment in Western Canada. The Golden Ears Bridge project in British Columbia and the Tecumseh parkade in Manitoba were essentially completed by the end of 2008. The division was successful on bids for new jobs such as the athletic complex project for WinSport Canada and the Calgary airport parkade, which began shipping late in the third quarter of 2008 and this replenished the backlog of unfilled orders. The addition of Brooklin and Boucher created a new presence in the Ontario marketplace for structural and concrete products as part of the Fund's strategy to expand the precast business to a national platform.

Earnings from Operations

Earnings from operations for the year ended December 31, 2008, were \$18.9 million or 11.1% of revenues compared to \$2.4 million or 7.5% of revenues in 2007. This \$16.5 million increase is due to the full year inclusion of the 2007 Con-Force acquisition and the partial year inclusion of the Con-Force Acquisitions. As part of the initial acquisition of Con-Force, significant intangible value was allocated to the backlog of existing contracts. This intangible asset began to be amortized in the fourth quarter of 2007 and was fully amortized in 2008. Adjusting the earnings from operations for this amortization, 2008 earnings would have been \$22.5 million or 13.1% of revenues and the fourth quarter of 2007 would have been earnings of \$4.5 million or 14.0% of revenues.

As a percentage of revenue, earnings from operations have been impacted by a change in the product mix of the Con-Force division. With the current year acquisitions, the product offering of the Con-Force division is now comprised of a greater number of standard products, which generally achieve lower earnings, as a percentage of revenue, than the highly engineered solutions of the structures group. The nature of the acquired standard products has introduced distribution costs that are not associated with structural projects.

Selling, general and administrative expenses increased in 2008 due to a full year ownership of Con-Force, plus the partial year ownership of the Con-Force Acquisitions. Management anticipates these expenses to increase in 2009, relative to 2008, due to a full year of ownership of the recent acquisitions, however these costs are expected to remain at consistent levels as a percentage of revenues. During 2008, the Con-Force division invested approximately \$0.6 million in incremental administrative resources to support the transition phase of the four acquisitions which are not expected to recur. Operational management is now focused on the further integration of the new business units. The Con-Force division's continuing capital improvement plan to automate production continues, and in conjunction with the expansion of the division, allows for more effective use of available facilities.

Amortization of intangible assets was \$8.3 million in 2008 compared to \$3.0 million amortized in 2007. Associated with the 2007 acquisition of Con-Force, significant intangible assets were identified which have contributed a full year of amortization compared to the fourth quarter of 2007. Through the Con-Force Acquisitions the Fund acquired \$32.5 million of intangible assets, of which \$25.8 million is related to customer list intangibles, and acquired \$42.4 million of goodwill. The purchase price allocations for the Con-Force Acquisitions remain subject to adjustment and are expected to be finalized in 2009.

DURISOL DIVISION

Results of Operations For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2008 (unaudited)	2007 (unaudited)	2008	2007
Revenues to external customers	\$ 13,130	\$ -	\$ 30,139	\$ -
Earnings from operations	\$ 3,292	\$ -	\$ 5,521	\$ -

Revenue

The majority of Durisol's revenues are derived from the infrastructure end-use market. Revenues for the Durisol division totalled \$30.1 million for the seven-month period ended December 31, 2008. Comparatively for the 12-months ended March 31, 2008, Durisol's revenues were \$27.5 million. Since its June 5, 2008 acquisition, Durisol recognized revenues from a number of transportation infrastructure projects including the supply of sound barriers along the Queen Elizabeth Way in St. Catharines, Ontario and five unique combination firewall/visual screen walls for the retaining walls on the Golden Ears Bridge project in British Columbia. The division continues to realize growth opportunities as represented by continuing successful bid activity in both Canada and the Midwestern U.S.

Earnings from Operations

Earnings from operations for the Durisol division were \$5.5 million or 18.3% of revenues. Durisol benefited from several large projects including the St. Catharines' project which is the largest single project in the company's history. The division also shipped materials to several large projects in the U.S. Recent weakness of the Canadian Dollar versus the U.S. Dollar, especially during the fourth quarter, resulted in a stronger gross margin. As a percentage of revenues, product distribution costs remain consistent with management expectations.

During 2008, Durisol completed the building of a portable Durisol batch plant. This batch plant expands the geographic market in which the division's products can be produced at a competitive price since transportation costs are a significant cost consideration. The batch plant can be used in a Con-Force or other subcontractor location to manufacture products closer to markets in Western Canada or in other markets of the U.S. The Durisol operations are continuing with the Fund's lean manufacturing program and will continue to implement changes to improve operational effectiveness in 2009.

The Fund acquired \$13.6 million of intangible assets through the acquisition of Durisol, on which amortization commenced subsequent to the purchase. The intangible assets acquired include trademarks and tradenames, licences, customer contracts and customer lists. Contracts in backlog were initially assigned an intangible asset value of \$0.9 million. Based on the underlying contracts recognized in revenues, \$0.6 million has been amortized in 2008, with the remaining \$0.3 million expected to be fully amortized during the first half of 2009.

EBITDA

For the year ended December 31, 2008, EBITDA was \$62.4 million or 15.9% of revenues as compared to \$30.8 million for 2007 or 14.9% of revenues. This 102.5%, or \$31.6 million, increase was due to a 90.1% revenue increase over 2007 and was a result of strength in the core businesses, and the contributions from the 2008 Acquisitions; five of which closed during the third quarter of 2008. The fair value increments of inventory related to the acquisitions of Brooklin, AE Concrete, CFCP, Bruce tile and Oxford totalled \$1.2 million in non-cash non-recurring costs that have been excluded from the Fund's calculation of EBITDA. Adjusting for the additional administrative costs incurred by the Con-Force division to support the critical transition of four acquired businesses into the division, EBITDA would have been \$63.0 million for 2008.

Interest and Financing Expenses

For the three and 12-month periods ended December 31, 2008, interest and financing fees incurred on borrowings were \$4.2 million and \$9.2 million respectively, as compared to \$1.4 million and \$2.8 million during the same periods in 2007. The Fund increased its term borrowing facilities twice to a total of \$140.0 million, and added a \$50.0 million bridge term credit facility, in connection with the 2008 Acquisitions. In 2007, term facility borrowing levels increased \$48.0 million to \$65.0 million related to the October acquisition of Con-Force. As part of the acquisition, the Fund also assumed capital leases related to manufacturing equipment.

Effective during the second quarter of 2008 and the first quarter of 2009, the Fund entered into interest rate swaps on \$70.0 million of its term credit facility, converting the interest rate on 50% of its term debt from a floating interest rate

to a fixed interest rate. The average effective interest rate for 2008 was 5.9%, down from 6.2% for 2007. During the first three quarters of 2007, the Fund incurred nominal losses, reflected as interest and financing expense, on the revaluation of the Fund's interest rate swap. This swap matured during the third quarter of 2007.

Income Taxes

As the Fund is a mutual fund trust for Canadian income tax purposes, income allocated to unitholders effectively reduces the Fund's current income tax liability to nil. On June 22, 2007, previously announced tax proposals pertaining to the taxation of income distributed by specified investment flow-through trusts ("SIFT" or the "SIFT Rules") and the tax treatment of trust distributions by a SIFT to their unitholders were substantively enacted.

On July 14, 2008, the Canadian Department of Finance published draft legislative proposals and explanatory notes which are intended to facilitate the conversion of a SIFT into corporate form without undue tax effects. The Fund is currently reviewing the proposed options. To date, management has not made a final determination of the effect of conversion to corporate form. Management anticipates that the Fund will not be subject to income tax until January 1, 2011.

Future income taxes are recognized as a result of temporary differences related primarily to the amortization of intangible assets present in the subsidiaries of the Fund. With the October 2007 Con-Force acquisition, the Fund acquired \$53.6 million of intangible assets subject to amortization. With the 2008 Acquisitions the Fund added further intangible assets of \$48.8 million subject to amortization. Related to the timing of temporary differences, the Fund recorded a recovery of future taxes of \$1.9 million for 2008.

Cash Flow

	Fourth Quarter		Year Ended	
	2008	2007	2008	2007
For the periods ended December 31 (in thousands of Canadian dollars)	(unaudited)	(unaudited)		
Cash provided by (used in):				
Operating activities	\$ 43,502	\$ 26,005	\$ 51,066	\$ 31,975
Investing activities	(3,802)	(100,769)	(178,703)	(103,038)
Financing activities	(31,219)	87,273	123,892	83,665
Net increase (decrease) in cash	8,481	12,509	(3,745)	12,602
Cash – beginning of period	402	119	12,628	26
Cash – end of period	\$ 8,883	\$ 12,628	\$ 8,883	\$ 12,628

As at December 31, 2008, the Fund's cash and cash equivalents amounted to \$8,883 as compared to \$12,628 in the previous year. The Fund had working capital of \$82.2 million at December 31, 2008, an increase of \$52.3 million compared to working capital of \$29.9 million at December 31, 2007. With the 2008 Acquisitions, working capital has increased through increased accounts receivables and inventories partially offset by increased payables and deferred contract revenue. Management is of the opinion that the level of working capital is sufficient to meet short-term obligations.

Operating Activities

For the year ended December 31, 2008, the Fund generated \$51.1 million of cash from operations compared to \$32.0 million provided in 2007. Cash of \$52.3 million was generated before the change in non-cash working capital for the year ended December 31, 2008, which increased \$23.4 million over 2007 levels. Of this increase, \$10.4 million was mainly due to an increase in earnings over 2007. The remaining impact related to the \$10.8 million increase in the amortization of property, plant and equipment, and intangible assets. The increase in amortization relates to the intangibles acquired through the 2007 acquisition of Con-Force and the 2008 Acquisitions.

Non-cash working capital increased in the year ended December 31, 2008, and was \$1.2 million compared to a decrease of \$3.0 million in non-cash working capital in 2007. This increase was a result of increased accounts receivable related to increased revenues and higher inventory balances, primarily in the Armtec division, partially offset by higher accounts payable and deferred contract revenue of the Fund.

In accordance with the seasonal trends of the business, the Fund builds working capital during the summer months to meet the increased volumes during the installation season. The Fund's revolving credit facility is available to finance temporary increases in working capital needs.

Investing Activities

Cash used in investing activities totaled \$178.7 million for the year ended December 31, 2008, compared to \$103.0 million used in 2007. During 2008, investing activities for the Fund included the 2008 Acquisitions for \$182.3 million of which the cash consideration was \$162.2 million. Also during the first quarter of 2008 the final payment of \$5.9 million related to the acquisition of Con-Force was made. The purchase prices for the 2008 Acquisitions are subject to adjustment and are expected to be finalized in 2009. Contingent consideration in the form of cash, to a maximum of \$15.0 million, may be payable to the vendor of Durisol in 2010 if the acquired operations exceed a set financial threshold.

In 2007, the Fund acquired the businesses of Con-Force for total consideration of \$122.1 million. Of the consideration, \$98.7 million was paid in cash. During 2007, final payments were made related to the 2006 acquisitions of Twister Pipe Ltd. and Prairie Steel Products Ltd.

Purchases of property, plant and equipment and intangibles totalled \$11.3 million for the year ended December 31, 2008, with \$6.5 million considered sustaining capital expenditures for the purposes of determining distributable cash. Generative expenditures included \$0.8 million related to an expansion of a Con-Force plant and \$2.3 million related to the purchase of HDPE corrugators. Of the \$4.8 million of net funds expended for the year ended December 31, 2007, sustaining capital expenditures accounted for \$1.3 million. Generative expenditures include the purchase of property, plant and equipment of which \$1.8 million related to manufacturing equipment which is being leased into South Korea for the manufacture of Armtec bridge plate products in the expanding South Korean marketplace. Further additions in 2007 included the expansion of manufacturing capability and the purchase of additional parkade forms within the Con-Force operations for \$0.6 million.

Financing Activities

Cash provided by financing activities for 2008 was \$123.9 million as compared to \$83.7 million provided in 2007. During 2008, the Fund made net borrowings of \$124.2 million on its credit facilities as compared to \$47.0 million in 2007. The Fund used the proceeds from its credit facilities, together with the \$35.8 million in net proceeds from the issuance of 1,552,800 additional units of the Fund, to acquire Bruce Tile, Durisol, AE Concrete, Brooklin, Boucher and CFCP. During 2008, the Fund also incurred \$1.9 million in debt transaction costs related to the renegotiation and expansion of the Fund's credit facilities. Additional exchangeable partnership units were issued as partial consideration to the vendors of Bruce Tile, Durisol and Brooklin. A note payable for \$5.0 million was issued as partial consideration to the vendors of Boucher. During 2007, the Fund raised net proceeds of \$56.9 million through an offering of additional units of the Fund and increased borrowings of \$47.0 million, net of repayments, as part of the acquisition of Con-Force. The Fund incurred \$0.8 million in debt transaction costs during 2007.

Distributions paid to unitholders amounted to \$34.2 million, of which \$4.7 million was declared and payable in respect of 2007 but paid in January 2008. A further \$3.9 million was declared and payable at December 31, 2008. A special distribution was declared in December 2008 at \$0.05 per unit for payment in January 2009. These distributions were paid on units outstanding which ranged from 15,076,073 to 17,140,133, including 1,578,333 exchangeable partnership units. In 2007, units outstanding ranged from 10,304,000 to 15,076,073, including 1,067,073 exchangeable partnership units. Distributions paid to unitholders in 2007 were \$19.4 million. A special distribution was declared in December 2007 at \$0.17 per unit for payment in January 2008.

Fourth Quarter Results

Revenue

Revenues for the fourth quarter of 2008 increased \$46.3 million to \$117.1 million from \$70.8 million in 2007. The Con-Force division expanded significantly during the year through the Con-Force Acquisitions. This division contributed \$57.0 million in revenues in the fourth quarter of 2008 compared to revenues of \$51.3 million for the third quarter of 2008 and \$32.1 million for the fourth quarter of 2007. The increase in revenues in the fourth quarter of 2008 over the periods noted above was attributed to a full quarter of results from the 2008 Acquisitions. Also contributing to this increase was the higher revenues from structural projects including the Calgary airport project.

Revenues for the Armtec division were \$47.0 million, an increase of \$8.3 million in the quarter compared to the same period in 2007. The division experienced increased activity in the infrastructure and agricultural drainage markets which offset reduced residential and commercial construction activity during the quarter. All regions, particularly Central Canada had improved activity. Shipments to the international markets also increased compared to the slower sales activity in 2007. The acquisitions of Bruce Tile and Oxford contributed to the division's growth in Central Canada.

The Fund's Durisol division generated revenues of \$13.1 million during the quarter from a number of transportation infrastructure projects in both Canada and the U.S. Durisol has been operating at historically high levels. The onset of winter generally sees the completion of projects during the fourth quarter and has a similar, although less pronounced, seasonal cyclicity of the Armtec division.

Earnings from Operations

Earnings from operations for the three months ended December 31, 2008, was \$11.7 million compared to \$4.7 million for the same period in 2007; an increase of \$7.0 million or 147.4%. Gross margin for the three months ended December 31, 2008, was \$33.7 million; an improvement of \$14.3 million over the \$19.4 million generated in 2007, representing an increase of 73.9%. As a percentage of revenues, gross margin increased to 28.8% as compared to 27.4% in 2007. The improvement was primarily attributed to the inclusion of results of the 2008 Acquisitions.

The Fund's amortization of property, plant and equipment as a percentage of revenues increased to 2.3% during the fourth quarter of 2008 over 1.9% in the same period of 2007. This is due to the \$65.1 million in property, plant and equipment from the Fund's 2008 Acquisitions.

Distribution and warehousing costs increased during the fourth quarter of 2008 as a percentage of revenue to 5.2% from 3.3% or \$3.8 million when compared to the same period in 2007. The increase is primarily related to the products introduced through the 2008 Acquisitions as well as a change in the volume and mix of products sold in the Armtec division. Selling, general and administrative expenses as a percentage of revenues decreased to 10.5% from 12.4% during the fourth quarter of 2007. Expenses were \$12.3 million compared to \$8.8 million in 2007. The increase primarily relates to the 2008 Acquisitions.

The Fund's amortization of intangible assets as a percentage of revenue decreased to 3.1% from 5.1% during the fourth quarter of 2007. This was due to \$2.1 million of additional amortization recognized during the fourth quarter of 2007 related to \$5.7 million of customer contracts purchased in the Con-Force acquisition. As expected the remaining balance was amortized during 2008.

Operating Activities

For the fourth quarter of 2008, the Fund provided \$43.5 million of cash from operations compared to cash provided of \$26.0 million in the comparative quarter of 2007. Before the change in non-cash working capital, \$13.7 million was generated as compared to cash provided of \$8.7 million in the fourth quarter of 2007. The \$5.0 million improvement was the result of higher non-cash items. In the fourth quarter of 2008, non-cash items were \$7.5 million, comprised mainly of the amortization of property, plant and equipment and intangible assets, compared to \$1.5 million for the fourth quarter of 2007.

Reduced levels of non-cash working capital provided \$29.8 million of operating cash flows in the quarter, representing an increase of \$12.5 million over the \$17.3 million provided in the prior year. The improvement in the fourth quarter of 2008 compared to the same quarter in 2007, related primarily to the reduction of inventory levels and accounts receivable balances from the third quarters respectively. The Fund's lean manufacturing initiatives, that are intended to improve the management of working capital, will continue to remain a focus in 2009.

Investing Activities

Investing activities used \$3.8 million of cash in the fourth quarter of 2008 compared to \$100.8 million for the same period in 2007. 2007 included the \$122.1 million acquisition of Con-Force, of which \$98.7 million was paid in cash.

Purchases of property, plant and equipment and intangible assets totalled \$4.4 million for the fourth quarter of 2008 with \$3.4 million considered sustaining capital expenditures and \$1.0 million considered generative.

Financing Activities

Financing activities used \$31.2 million in 2008 compared to \$87.3 million provided in cash during the fourth quarter of 2007. During the fourth quarter of 2008, the Fund repaid \$21.9 million under its revolving credit facility. In the fourth quarter of 2007, the Fund raised net proceeds of \$56.9 million through an offering of additional Fund units and borrowed \$36.8 million in conjunction with the acquisition of Con-Force.

During the fourth quarter of 2008, distributions paid to unitholders amounted to \$9.3 million, a 66.1% increase when compared with \$5.6 million paid to unitholders in the same period of 2007.

Outlook

The strong 2008 results met management's expectation for the year in spite of the unexpected and severe drop in commercial and residential activity towards the end of the year and which has continued into 2009. Strength in infrastructure spending and a good agricultural drainage season offset the impact the global economic downturn had on the Fund. Prospects in the infrastructure and agricultural drainage markets are anticipated by management to remain strong. While the impact of government stimulus measures should augment already strong demand levels, it is difficult to determine how quickly this will impact the Fund, and to what extent this will offset the challenging conditions in the other private markets.

In response to the economic uncertainty, governments have reiterated their previously announced multi-year commitments for infrastructure. Spending for repairs and improvements is generally the responsibility of Provincial and Municipal transportation departments. This spending will be augmented by Federal government commitments with the deadlines imposed on utilizing this incremental funding. Support for the infrastructure spending across the country also continues to be maintained through the use of public-private partnerships, though these are dependent on securing financing. The Fund anticipates being well positioned to benefit from these projects through its expanded geographic capabilities and product offerings.

Activity in Canada's commercial and residential building market was strong up until late in the third quarter of 2008 when a slowdown was experienced. The Fund expects commercial activity to decrease in 2009. The weakness in the residential markets in Canada is also expected to remain throughout 2009 due to the decline in new housing starts. The Fund has opportunities to enhance its product offerings in these markets by building out the capability to manufacture its full range of products in every region of the country. The federal government support for residential renovation and repair is also expected to have a beneficial impact.

The Fund does not have significant exposure to investment activity in the mining and oil and gas industries, and has reduced its relative exposure to the forestry industry. The forestry market softness has traditionally been mitigated by the high volume yet low margin nature of its business.

The Fund has expanded its geographic reach in Southern Ontario through its 2008 acquisition activity. The installation season for these products remains limited to spring and fall and the success in this market is heavily dependent on weather conditions during these limited periods. The Fund will focus on continuing to implement lean initiatives in the manufacture of products for the drainage market. Management of the Fund sees opportunity for improved customer service and productivity through its newly expanded capabilities.

The full year impact of the Fund's recent acquisitions is expected to result in increases in revenue over 2008 levels. All of the 2008 Acquisitions have completed their initial integration into the Fund and the Fund's initiatives have switched to realizing on the expected synergies that supported the investments, including the revenue enhancing opportunities associated with a consistent, coast to coast product line and the many advantages of our larger scale of operations.

The focus for the Fund's management team in 2009 is to build resiliency into all aspects of our operations with a particular emphasis on productivity enhancing activities and improving customer service. Management's long term outlook for the Fund is positive due to the inherent strength of the infrastructure market, our largest market, and the boost expected from government stimulus measures later this year and into 2010. The short term challenge in our private sector markets due to the credit crisis and the recession is very difficult to predict. Through proactive management activities, our goal is to make the necessary adjustments to address the current challenging demand conditions and emerge as a stronger, more customer focused business when private markets eventually recover.

Liquidity, Distributable Cash and Distributions

Definition and Disclosure of Distributable Cash

Distributable cash is not a defined term under Canadian GAAP but is determined by the Fund as cash flows provided by or used in operating activities adjusted for items not affecting cash, expenditures required to sustain the current state of operations, and the change in non-cash working capital.

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders of the Fund by adjusting for the seasonality of the business via changes in non-cash working capital, adjusting for sustaining capital purchases and other items not affecting cash. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings and comprehensive earnings as a measure of profitability or the statement of

cash flows. Furthermore, the Fund's method of calculating distributable cash may not be comparable to other similarly named calculations from other issuers.

Distributable cash for the three-and 12-months ended December 31, 2008, and 2007 is as follows:

For the periods ended December 31 (in thousands of Canadian dollars except unit and per unit amounts)	Fourth Quarter		Year Ended	
	2008 (unaudited)	2007 (unaudited)	2008	2007
Cash provided by operating activities	\$ 43,502	\$ 26,005	\$ 51,066	\$ 31,975
Items not affecting cash:				
Non-cash post-employment benefits expense	(109)	(77)	(132)	(105)
Gain (loss) on sale of property, plant and equipment	402	(11)	312	(389)
Fair value increments of acquired inventory	881	-	1,214	-
Items not affecting operating cash flow:				
Sustaining capital purchases	(3,396)	(751)	(6,503)	(1,327)
Net (decrease) increase in non-cash working capital	(29,798)	(17,313)	1,235	(3,039)
Distributable cash	\$ 11,482	\$ 7,853	\$ 47,192	\$ 27,115
Distributable cash per unit	\$ 0.67	\$ 0.52	\$ 2.93	\$ 2.36
Distributions declared	\$ 10,113	\$ 8,895	\$ 33,444	\$ 20,951
Distributions declared per unit	\$ 0.59	\$ 0.59	\$ 2.06	\$ 1.76
Net earnings for the period	\$ 6,154	\$ 7,225	\$ 33,304	\$ 22,889
Basic and diluted earnings per unit	\$ 0.36	\$ 0.48	\$ 2.07	\$ 1.99
Weighted average number of units outstanding	17,140,133	15,076,073	16,093,543	11,506,824

Distributions declared for the 12-months ended December 31, 2008, were \$33,444, representing a 60% increase over distributions for the same period in 2007. Cash provided by operating activities was more than distributions declared and distributable cash during the three and 12-months ended December 31, 2008 and 2007. Historically, by the fourth quarter of each year, cash provided by operating activities exceeds both distributions declared and distributable cash.

The Fund does not believe that any portion of the distributions declared would be regarded as an economic return of capital as its business is seasonal and historically the annual cash provided by operating activities is in excess of annual distributions as is the case as at December 31, 2008 and 2007. The Fund expects cumulative cash provided by operating activities for the foreseeable future to exceed cumulative future distributions. The Fund expects cumulative distributions for the foreseeable future to exceed net earnings as a result of the nature of the temporary differences between net income and taxable income present in the Fund's subsidiaries.

Working Capital Policies and Effects on Distributable Cash

The Fund's business is seasonal, with sales and working capital ramping up during the spring months and generally reaching peak levels during the summer and early autumn months. This build-up of working capital during the first half of the year is comprised of receivables and inventory which are partially offset by increased accounts payable. This increase in working capital ensures that the Fund can meet the increased business volumes during the summer and autumn months. As such, cash provided by operating activities and distributable cash may be negative until receivables are collected and inventory is reduced, partially offset by the settlement of accounts payable. This results in the Fund historically generating positive cash from operating activities nearing the end of the fiscal year. In order to maintain consistent distributions and sufficient working capital, the Fund draws upon its revolving credit facility during the first three quarters.

Relationship between Distributions, Investing and Financing Activities

The changes in working capital affecting cash provided by or used in operating activities, when supplemented by net borrowings under the revolving portion of the credit facility, provide cash for the Fund's regular distributions to unitholders. Other changes affecting the Fund's ability to fund the regular distributions are investments in capital assets including property, plant and equipment and intangible assets as well as business acquisitions. When the Fund makes an acquisition, proceeds may be drawn from credit facilities, additional Fund units may be issued, or a combination of both may be used.

Contractual Obligations

(in thousands of Canadian dollars)

	Payments due as at December 31						
	2009	2010	2011	2012	2013	Thereafter	Total
Term facility	\$ -	\$ -	\$ -	\$ 140,000	\$ -	\$ -	\$ 140,000
Bridge term facility *	50,000	-	-	-	-	-	50,000
Promissory note	1,000	1,000	1,000	1,000	667	-	4,667
Capital leases	538	633	661	194	-	-	2,026
Operating leases	4,581	3,971	3,012	2,432	1,365	3,621	18,982
Commitments for capital expenditures	4,652	-	-	-	-	-	4,652
Long-term incentive plan	673	-	-	-	-	-	673
Total	\$ 61,444	\$ 5,604	\$ 4,673	\$ 143,626	\$ 2,032	\$ 3,621	\$ 221,000

* The Bridge facility is currently held in the form of a bankers' acceptance which matures on April 1, 2009. Proceeds of \$50.0 million from the 2009 issuance of additional Fund units is currently held in escrow and will be used to repay the loan on the maturity of the bankers' acceptance.

The Fund's unfunded post-employment obligation was \$6,833 and \$6,701 at December 31, 2008, and 2007, respectively. Post-employment obligations are expected to be settled as incurred. See sections entitled "Capital Resources" and "Off-Balance Sheet Arrangements" of this MD&A for more information about items that may affect distributable cash in the future.

Definition, History and Management Strategy of Productive Capacity

The Fund's business is seasonal and, due to the nature of the products, is often affected by the distance from manufacturing location to installation site. The Con-Force and Durisol divisions are less affected by seasonality but are significantly affected by proximity to the customer and as a result, the Con-Force and Durisol facilities may not run at full capacity depending on the timing of construction contracts underway. The Armtec division is more affected by seasonality and schedules production with regard to the installation season. Typically the facilities are at minimal production levels during the winter months. As a result of these factors, management does not measure total productive capacity.

Management's strategy of investing in productive capacity is intended to both maintain existing capacity and to continually seek ways to improve operational efficiencies in the Fund's various operations. Initiatives affecting productive capacity are the continuous improvements obtained from lean manufacturing activities. Management estimates that approximately \$7.0 million will be spent on an annual basis for sustaining capital expenditures in order to maintain the Fund's manufacturing ability. Management expands productive capacity by making generative capital purchases, defined as those investments in property, plant and equipment and intangible assets that add to manufacturing capacity or further diversify the Fund's product offerings.

The following table reconciles the purchases of sustaining and generative capital expenditures to the purchases of property, plant and equipment, as well as intangible assets:

For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2008 (unaudited)	2007 (unaudited)	2008	2007
Sustaining capital purchases	\$ 3,396	\$ 751	\$ 6,503	\$ 1,327
Generative capital purchases	1,048	1,320	4,764	3,513
Total purchases	\$ 4,444	\$ 2,071	\$ 11,267	\$ 4,840
Purchase of property, plant and equipment	\$ 3,837	\$ 1,869	\$ 9,999	\$ 4,440
Purchase of intangible assets	607	202	1,268	400
Total purchases	\$ 4,444	\$ 2,071	\$ 11,267	\$ 4,840

Generative expenditures for the year ended December 31, 2008, included: \$0.8 million related to an expansion of a Con-Force plant and \$2.3 million related to the purchase of HDPE corrugators for the Armtec division. Generative expenditures for the year ended December 31, 2007 included: \$1.8 million related to manufacturing equipment to be

used in South Korea, \$0.4 million related to the continuing implementation of the Armtec division's ERP system, \$0.3 million related to an expansion of a Con-Force plant and \$0.3 million related to parkade forms.

See the section entitled "Risks and Uncertainties" for further information about various risks potentially affecting productive capacity.

Financing Strategy and Compliance with Financial Covenants

The Fund has credit facilities that provide the cash resources necessary to fund changes in working capital needs as well as acquisitions. The Fund anticipates continually renewing current debt facilities as required. See the section entitled "Capital Resources" for further discussion.

The Fund regularly monitors current and forecasted debt levels to ensure debt covenants are not violated. Generally, the most significant financing restrictions relate to permitted investments and distributions, as well as the maintenance of certain financial ratios. These financial ratios are primarily linked to trailing operating earnings before interest, taxes, depreciation and amortization, adjusted for certain inclusions and exclusions ("Adjusted Earnings"). At December 31, 2008, the Fund must maintain, on a rolling four quarters basis, a ratio of below 3.25:1 of debt over Adjusted Earnings from January 1 through September 30 and 2.75:1 from October 1 to December 31. Following the February 2009 issuance of equity, the Fund must maintain, on a rolling four quarters basis, a ratio of below 2.75:1 of debt over Adjusted Earnings from January 1 through September 30 and 2.25:1 from October 1 to December 31. The Fund must also maintain a ratio above 4:1 of Adjusted Earnings over interest paid. The Fund was in compliance with all covenants for the year ended December 31, 2008.

On June 22, 2007, previously announced tax proposals pertaining to the taxation of income distributed by publicly listed income trusts and the tax treatment of trust distributions to their unitholders were substantively enacted. Currently, the Fund does not pay tax on income it distributes to its unitholders. Management anticipates that the Fund will not be subject to tax until January 1, 2011. As a result of the Canadian trust taxation legislation passed in 2007 and amended in 2008 and again on February 25, 2009, the Fund is subject to certain capital growth restrictions referred to as normal growth guidelines. These guidelines limit the amount of unitholders' capital that can be issued by the Fund from November 1, 2006 to December 31, 2010 and is generally limited to the greater of 20% of the market capitalization of the Fund on October 31, 2006 or \$50,000 per year. The Fund's limit was \$50,000 per year up to the December 4, 2008 amendment to the legislation. For the period from December 4, 2008 to December 31, 2010, the Fund's limit is \$100,000. If the maximum normal growth limit is exceeded at any time, the Fund may be subject to tax prior to 2011.

The Fund has fully utilized its \$50,000 balance under normal growth guidelines up to December 3, 2008. The equity issuance limit was allocated as follows: \$4,500 in exchangeable partnership units were issued pursuant to the acquisition of Bruce Tile, \$5,000 in exchangeable partnership units were issued pursuant to the acquisition of Durisol, \$37,500 in additional units of the Fund were issued pursuant to a private placement for the acquisitions of Brooklin and Boucher, and \$3,000 in exchangeable partnership units were issued pursuant to the acquisition of Brooklin.

In addition to capital growth guidelines, the Fund also monitors its foreign ownership levels. In order 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. The Fund is in compliance with this requirement.

Distributions

The Fund makes regular monthly distributions to unitholders of record on the last business day of each month. Distributions to unitholders were calculated and recorded when declared.

Distributions of \$10,113 and \$33,444 were declared for the three- and 12-month periods ended December 31, 2008, as compared to \$8,895 and \$20,951 for 2007. Included in these distributions was a special distribution of \$0.05 per unit declared in December 2008 (December 2007 – \$0.17 per unit). Distributions are financed through cash from operations and seasonal borrowings under the revolving credit facility.

Distributions for the year ended December 31, 2008, were as follows:
(in whole Canadian dollars except per unit amounts)

Period	Record date	Payment date	Per unit		Amount
January 2008	January 31, 2008	February 15, 2008	\$	0.15	\$ 2,261,411
February 2008	February 29, 2008	March 14, 2008		0.15	2,261,411
March 2008	March 31, 2008	April 15, 2008		0.15	2,274,586
April 2008	April 30, 2008	May 15, 2008		0.15	2,274,586
May 2008	May 31, 2008	June 15, 2008		0.17	2,577,864
June 2008	June 30, 2008	July 15, 2008		0.17	2,613,370
July 2008	July 31, 2008	August 15, 2008		0.17	2,897,299
August 2008	August 29, 2008	September 15, 2008		0.18	3,085,224
September 2008	September 30, 2008	October 15, 2008		0.18	3,085,224
October 2008	October 31, 2008	November 14, 2008		0.18	3,085,224
November 2008	November 28, 2008	December 15, 2008		0.18	3,085,224
December 2008	December 31, 2008	January 15, 2009		0.18	3,085,224
Special Distribution	December 31, 2008	January 30, 2009		0.05	857,007
			\$	2.06	\$ 33,443,654

Capital Resources

During 2008, the fund made two amendments to its existing credit facilities. On June 5, 2008, its credit facilities were amended to increase the term facility from \$65.0 million to \$110.0 million and the revolving credit facility was increased from \$40.0 million to \$50.0 million. Proceeds from the increased term facility, net of transaction costs, were used to finance the acquisitions of Durisol and AE Concrete.

On July 31, 2008, the Fund completed a further amendment which increased the term facility from \$110.0 million to \$140.0 million, and added a non-revolving bridge term facility of \$50.0 million. The revolving credit facility remained unchanged at \$50.0 million. Maturity dates for both the term and revolving credit facilities remain unchanged at October 2012 whereas the bridge term credit facility matures at June 30, 2009.

The facilities each bear interest at rates that depend on certain financial ratios of the Fund and vary in accordance with borrowing rates in Canada and the U.S. Prior to March 31, 2008, but effective during the second quarter of 2008, the Fund entered into an interest rate swap on \$32.5 million of its term credit facility converting the interest rate from a floating interest rate to a fixed interest rate of 3.85% plus pricing margin. Prior to December 31, 2008, but effective in January 2009, the Fund entered into a second interest rate swap on \$37.5 million of its term credit facility converting the interest rate from a floating interest rate to a fixed interest rate of 2.08% plus pricing margin. These swap instruments qualify for and have been designated as hedges for accounting purposes. As a result, the mark-to-market loss of \$3.8 million on the swaps was reflected in the Fund's Consolidated Statements of Comprehensive Income.

As at December 31, 2008, no balance was outstanding on the revolving credit facility. Due to the seasonality of the business, the revolving credit facility is available to support temporary cash requirements for working capital and distributions. As required under the credit agreement, the \$140.0 million term facility and \$50.0 million bridge term facility were fully drawn. In February 2009, an issuance of an additional 3,100,000 units of the Fund was completed for gross proceeds of \$55.0 million. Of the proceeds, \$50.0 million is currently held in escrow and will be used to repay the bridge term facility on the maturity of the banker's acceptance on April 1, 2009.

Although anticipated cash distributions to unitholders are not commitments, the Fund is required to distribute an amount equal to or greater than its taxable income in order to eliminate the Fund's income tax liability. The distribution declared in respect of January 2009 was \$0.18 per unit or \$2.16 per unit annually, if held throughout a 12-month period.

Financial Instruments

The Fund has classified its cash and cash equivalents as held for trading, accounts receivable and long-term notes receivable have been classified as loans and receivables; and accounts payable, distributions payable and long-term debt have been classified as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and other assets and liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments. Before considering interest rate swaps the fair value of the Fund's long-term debt approximates its carrying value as it bears interest at a floating rate. During the applicable period, the fair value of the interest rate swap was estimated based on the amount that would need to be paid or would be received to terminate the agreement as of the consolidated balance sheet date.

The Fund may from time to time enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Fund may also enter into interest rate swaps to reduce its exposure to fluctuations in interest rates. The Fund's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the U.S. dollar, as a portion of the Fund's transactions occur with customers or suppliers in U.S. dollars. The Fund has exposure to movements in interest rates primarily due to the Fund's credit facilities that vary in accordance with borrowing rates in Canada and the U.S. The Fund may elect to apply hedge accounting for foreign exchange forward contracts and interest rate swaps if certain criteria are met, including documenting all relationships between the hedging instruments and the hedged items, as well as the Fund's risk management objective and strategy for undertaking various hedge transactions. The Fund may, at its discretion, decide to discontinue hedge accounting for a specific hedging relationship by terminating the designation of that relationship. If the Fund does not account for forward contracts and interest rate swaps using hedge accounting, these instruments are measured at fair value with changes recognized in earnings. The fair value of the forward contracts and interest rate swap would be included in current assets or current liabilities.

The Fund does not use any derivative financial instrument for speculative purposes.

Please see note 19 of the separately issued annual consolidated financial statements of the Fund for disclosure of the Fund's financial instruments and sensitivity to various currency, interest, credit and liquidity risk.

Off-Balance Sheet Arrangements

The Fund's off-balance sheet arrangements consist of operating leases. Operating leases are for facilities and equipment with market terms and do not have associated escalating rent or make-good provisions that materially affect the consolidated financial statements. Please see note 20 of the separately issued annual consolidated financial statements of the Fund for disclosure of these operating leases.

Outstanding Unit Data

An unlimited number of trust units may be issued by the Fund pursuant to the Fund's Declaration of Trust. Each unit is transferable and represents an equal, undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. Each unit entitles the holder to one vote at all meetings of unitholders. Concurrent with the acquisition of Brooklin and Boucher, an additional 1,552,800 units of the Fund were issued on July 31, 2008. Subsequent to the year end, 58,686 exchangeable partnership units were exchanged for units of the Fund. Subsequent to the year end, 27,000 exchangeable partnership units were cancelled in settlement of the amount due from Clearford.

An unlimited number of exchangeable partnership units may be issued by AEP. Holders of each exchangeable partnership unit are entitled to distributions from AEP at the same time and in the same amount, on a unit-for-unit basis, as distributions made by the Fund to holders of Fund units. Each exchangeable partnership unit is non-transferable without the approval from the general partner, Armtec AEP GP Limited. All exchangeable partnership units are of the same class with equal rights and privileges. Exchangeable partnership units are non-voting. Exchangeable partnership units are exchangeable into units of the Fund on a unit-for-unit basis provided that the holder of the exchangeable partnership units must exchange at least 1/6 of the original number of exchangeable partnership units issued to such holder at a time.

On March 20, 2008, 87,834 exchangeable partnership units of AEP were issued as part of the consideration for the acquisition of Bruce Tile. As part of the consideration for the acquisition of the Durisol companies on June 5, 2008, the Fund issued 208,855 exchangeable partnership units of AEP. These exchangeable partnership units or, in the event that such units are exchanged for units of the Fund, are subject to the terms of an escrow arrangement entered into in connection with these acquisitions. On July 31, 2008, the Fund acquired Brooklin and as part of the consideration issued 117,371 exchangeable partnership units of AEP to Clearford. On August 15, 2008, the Fund purchased the property at the Bruce Tile location issuing 97,200 exchangeable partnership units.

As at March 26, 2009, there were 1,492,647 exchangeable partnership units issued and outstanding. As at March 26, 2009, the number of units issued and outstanding using the "if converted" method was 20,213,133.

Selected Financial Information

For the year ended December 31	2008	2007	2006
Revenue	\$ 392,063	\$ 206,226	\$ 166,166
Net earnings	33,304	22,889	15,781
EBITDA (unaudited)	62,387	30,810	22,337
Distributable cash (unaudited)	47,192	27,115	18,645
Basic and diluted earnings per unit	2.07	1.99	1.71
Distributions per unit	2.06	1.76	1.68
Total assets	536,597	326,627	156,394
Total long-term debt	146,700	65,549	16,044

For the purposes of weighted average number of units outstanding, the exchangeable partnership units are treated as if the units were converted to equivalent units of the Fund at the time of issuance.

The major changes in the assets and liabilities of the Fund relate to the acquisition activity related to its growth strategy. In connection with the 2008 Acquisitions, the Fund issued 1,552,800 additional Fund and 511,260 exchangeable partnership unit. The Fund amended its term borrowing facilities twice to increase to \$140.0 million in term and \$50.0 million in revolving facilities. As well, a new non-revolving bridge term facility of \$50.0 million was utilized.

During 2007 in connection with the Con-Force acquisition, the Fund issued 3,705,000 units and 1,067,073 exchangeable partnership units. The Fund also amended to its existing term and revolving credit facilities to \$65.0 million and \$40.0 million respectively. On October 26, 2006, the Fund issued 1,289,000 units to finance acquisitions in the year.

Summary of Quarterly Results

(in thousands of Canadian dollars except for unit data)
(unaudited)

Three months ended	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007	Jun 30, 2007	Mar 31, 2007
Revenue	\$117,084	\$137,794	\$ 90,758	\$ 46,427	\$ 70,768	\$ 63,847	\$ 49,763	\$ 21,848
Net earnings (loss)	\$ 6,154	\$ 19,670	\$ 10,271	\$ (2,791)	\$ 7,225	\$ 11,026	\$ 6,950	\$ (2,312)
Basic and diluted earnings (loss) per unit	\$ 0.36	\$ 1.16	\$ 0.67	\$ (0.18)	\$ 0.48	\$ 1.07	\$ 0.67	\$ (0.22)

The Fund's business is typically seasonal in nature, with sales ramping up in the spring months and generally reaching peak levels in the summer months. As such, losses in the first quarter are not unexpected with the Fund historically generating positive net earnings throughout the remainder of the year. A revolving credit facility is available to allow for the payment of regular distributions and working capital investments during slower quarters.

Non-GAAP Measures

Earnings before Interest, Taxes, Depreciation and Amortization

References to EBITDA are to earnings before interest, taxes (other than capital taxes), depreciation and amortization and certain non-cash impacts resulting from purchase accounting. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure of cash available for distributions prior to debt service, changes in working capital, capital expenditures and income taxes. However, EBITDA is not a recognized measure under Canadian GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net and comprehensive earnings determined in accordance with GAAP as an indicator of the Fund's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund's EBITDA may not be comparable to similarly named measures used by other issuers.

For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2008 (unaudited)	2007 (unaudited)	2008	2007
Earnings for the period	\$ 6,154	\$ 7,225	\$ 33,304	\$ 22,889
Provision for (recovery of) future income taxes	1,309	(3,903)	(1,879)	(4,543)
Amortization of property, plant and equipment	2,736	1,365	8,345	4,069
Amortization of intangible assets	3,616	3,609	12,206	5,578
Interest and financing expenses	4,241	1,408	9,197	2,817
Fair value increments of acquired inventory	881	-	1,214	-
EBITDA	\$ 18,937	\$ 9,704	\$ 62,387	\$ 30,810

See the section entitled "Liquidity, Distributable Cash and Distributions" of this MD&A for the disclosure of the definition of distributable cash that is not a recognized measure under Canadian GAAP.

Critical Accounting Estimates

Managements' discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, is based upon the Fund's consolidated financial statements, which have been prepared in accordance with Canadian GAAP except where noted. The preparation of these consolidated financial statements requires the Fund to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amount of accounts receivable, inventory, goodwill and intangible assets, post-employment benefit liabilities and future income taxes. Management bases its estimates on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The Fund believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used. Please see the separately issued consolidated financial statements of the Fund for the estimates discussed and if applicable, changes in these estimates.

Revenue Recognition

The accounting principles used by the Fund to account for its construction contracts involve the use of estimates. Construction revenue, construction costs, deferred contract revenue and costs and estimated earnings in excess of billings include amounts derived on the percentage-of-completion basis. Percentage-of-completion is calculated based on relating the actual units of work performed to the estimated total units of the respective contract. Any excess of progress billings over earned revenue determined on a percentage-of-completion basis is carried as deferred contract revenue in the financial statements. Any excess of costs and estimated earnings over progress billings on construction contracts is carried as unbilled revenue in the financial statements.

Revenue and estimated costs to complete each contract are updated and reviewed by management at least once each financial reporting period. In making such estimates, judgments are required to evaluate issues related to scheduling, material costs, labour costs, labour productivity and sub-contractor costs. Due to the nature of construction contracts, estimates may change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Fund to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any period.

Inventory

Inventory is valued at the lower of cost or net realizable value for raw materials and finished goods. Cost is determined based on standards, which approximate actual cost as determined on an average cost basis. While management has applied judgment based upon assumptions believed to be reasonable in the circumstances, actual results may vary from these assumptions.

Goodwill and Intangible Assets

Goodwill is recorded at cost and is not amortized. Intangible assets consist primarily of trademarks and trade names, customer contracts, customer lists, ERP systems, non-compete agreements, and licences. These assets are amortized over their estimated useful lives. Management has determined, using appropriate valuation methodologies, that there was no impairment in goodwill balances at December 31, 2008, and 2007. If future operating results for the Fund are less favourable than those projected by management, a write-down of goodwill or intangible assets may be required.

Post-Employment Benefits

Post-employment benefits are accounted for on an accrual basis primarily within the Armtec division. The expected costs of employees' post-employment benefits are expensed during the years that employees render services and an accumulated post-employment benefit obligation is recognized. The Fund's obligation under such plans is determined annually by independent actuaries using management's assumptions and the attribution method. Actual post-employment benefit costs incurred may differ materially from management's estimates.

Future income taxes

Future income tax assets and liabilities result from the temporary difference between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted rates and laws that are expected to be in effect when the temporary differences are estimated to reverse. To the extent that management does not consider it more likely than not that all or a portion of a future tax asset will be realized, a valuation allowance is provided. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next and affect the consolidated financial statements.

Accounting Policy Changes Including Initial Adoptions

INITIAL ADOPTIONS AND APPLICATIONS OF ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 1535, "Capital disclosures", Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation"; and Section 3031, "Inventories". The principal changes due to the adoption of these accounting standards are described below.

a) Capital disclosures

This section requires the disclosure of both qualitative and quantitative information regarding the entity's objectives, policies and processes for managing capital, and what the entity regards as capital. Other than disclosure, the adoption of CICA Section 1535 had no effect on the Fund's consolidated financial condition on the date of adoption.

b) Financial instruments – disclosures and presentation

These sections revise and enhance certain disclosure requirements including the significance of financial instruments on the entity's financial condition, the nature and extent of risks arising from financial instruments and how these risks are managed. Other than disclosure, the adoption of CICA Sections 3862 and 3863 had no effect on the Fund's consolidated financial condition on the date of adoption.

c) Inventories

This section requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be included and requires the reversal of previous inventory write-downs if economic circumstances change. This standard provides the Canadian equivalent to International Accounting Standard ("IAS") 2, "Inventories". Other than disclosure, the adoption of CICA Section 3031 had no effect on the Fund's consolidated financial condition on the date of adoption.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

a) International financial reporting standards

The Canadian Accounting Standards Board confirmed in February 2008 plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to be effective for interim and annual periods commencing January 1, 2011. The transition date of January 1, 2011 will require reconciliations between Canadian GAAP and IFRS for the interim and annual periods during the year ended December 31, 2011, with comparable results during the year ended December 31, 2010. Under IFRS, there is significantly more disclosure required and while IFRS uses a conceptual framework similar to Canadian GAAP, however, there are differences between the standards that must be assessed.

In 2009, the CICA issued Sections 1582, "Business combinations", 1601, "Consolidated financial statements" and 1602, "Non-controlling interests". These standards provide the Canadian equivalent to IFRS 3, "Business Combinations (January 2008)" and IAS 27, "Consolidated and Separate Financial Statements (January 2008)". The standards are effective and the Fund will adopt them for interim and annual periods commencing in the Fund's 2011 fiscal year.

The Fund's project to convert its consolidated financial statements to IFRS consists of four phases including: (i) preliminary diagnosis, (ii) detailed assessment and planning, (iii) design of the solution and, (iv) implementation. During 2008, the Fund substantially completed the preliminary diagnosis phase. Based on this phase, the areas identified with the most potential to have significant effects upon adoption of IFRS include business combinations, financial instruments, property, plant and equipment, impairment, provisions and leases. In addition, the Fund will have to make a number of decisions with respect to IFRS 1, "First Time Adoption" regarding the prospective or retrospective application of certain standards. During 2009, the detailed assessment and planning phase will identify major recognition, measurement and reporting differences and assess impacts on business processes and information systems. Subsequently, the design phase will involve selection of accounting policies where choices exist and development of appropriate disclosures. Finally the Fund will implement the revised accounting policies based on the choices made, change business processes and information systems and execute training and communications programs.

The Fund is continuing to monitor and review CICA plans to make the transition to IFRS. Due to anticipated changes in Canadian GAAP and IFRS prior to the Fund's transition to IFRS, the full impact of adopting IFRS on the Fund's future consolidated financial condition cannot be reasonably determined at this time.

b) Goodwill and intangible assets

During 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This standard provides the Canadian equivalent to IAS 38, "Intangible Assets". The standard is effective and the Fund will adopt it for interim and annual periods commencing in the Fund's 2009 fiscal year. The Fund's adoption of the standard is not expected to have a material effect on its consolidated financial condition.

Controls and Procedures

Disclosure controls and procedures

Management is responsible for establishing and maintaining disclosure controls and procedures. These procedures are designed to ensure that information requiring disclosure is recorded, processed, summarized and reported on a timely basis as well as accumulated and communicated to the Fund's management team as appropriate to allow for timely required disclosures. Based on the evaluation conducted, the Chief Executive Officer and Chief Financial Officer have concluded that the design and effectiveness of the disclosure controls and procedures is operating effectively in all material respects at the end of the year, as certified in the annual filings.

Internal control over financial reporting

Management is responsible for the design of internal controls over financial reporting within the Fund in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of internal procedures. Management of the Fund does not expect that the disclosure and internal controls and procedures will prevent or detect all misstatements due to error or fraud.

Management has used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organization of the Treadway Commission (COSO) as the control framework in designing its internal controls over financial reporting. Based on management's design and effectiveness testing of the Fund's internal controls over financial reporting, the Fund's Chief Executive Officer and Chief Financial Officer have concluded that the design and operating effectiveness of the internal controls over financial reporting were effective as at December 31, 2008 to provide reasonable assurance that the financial information being reported is materially accurate.

Management has evaluated whether there were changes in the Fund's internal controls over financial reporting during the interim period ended December 31, 2008 that would have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting. Management has determined that no material changes occurred in the fourth quarter.

The Fund acquired various companies during 2008. The Fund is continuing the documentation and assessment of the design and operational effectiveness of internal controls over financial reporting for these businesses and will finalize their review during 2009. The review will determine whether or not the internal controls of these companies meet the standards applied by the Fund to the balance of its businesses, and if not, how those controls will be brought into compliance with the Fund's standards.

Proposed Transactions

While the Fund continues to seek accretive acquisition opportunities, there are currently no proposed material transactions as at March 26, 2009.

Risks and Uncertainties

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

Risks Related to the Business and the Industry

Industry Cyclical

The demand for pipe, engineered solutions, precast and pre-stressed concrete, highway noise barriers, as well as related infrastructure products, is cyclical and is driven by public infrastructure spending, commercial development, natural resources activity, residential construction and agricultural drainage requirements. The diverse factors driving infrastructure investment activity in these end-markets result in stability of overall demand for suppliers such as the Fund. To the extent that these investments decline or these markets experience a downturn, it is likely a negative impact will be felt on the infrastructure industry and the Fund's financial condition.

Competition

The Fund believes that the Armtec division is a market leader in the corrugated HDPE pipe, CSP and related engineered products markets in Canada. There are several large companies based in the U.S. that offer similar products in comparable markets. Certain of these companies currently compete in Canada in the same regional markets but currently lack the network of facilities in Canada close to the Armtec division's customers to compete on a broader scale. However, a rising Canadian dollar exchange rate or a change in regulations may make the Canadian market more attractive to these companies.

The Con-Force division, with its structures and concrete products group, has been providing product to customers for many years and is a respected, proven quality supplier. With its proximity to customers and established supplier and customer relationships, the Fund believes that the Con-Force division can continue to compete successfully. To the extent that alternatives to precast and pre-stressed concrete are developed by competitors that offer similar construction qualities, the business of the Con-Force division could be materially affected.

The Fund's Durisol division, established in June of 2008 primarily serves the infrastructure market manufacturing highway noise barriers and related highway and infrastructure products, such as retaining walls and acoustic enclosures. The division's customers are primarily located in Southern Ontario and the Northeastern U.S. Certain companies compete in the noise barrier market in these regional markets and to the extent that these companies develop alternatives to Durisol's products that offer similar acoustic and engineering qualities, the Durisol division could be materially affected.

The Fund believes that the success of its 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 solutions with an emphasis on quality and value-added products and services. However, there can be no assurance that superior competing products will not be developed by its competitors.

Acquisition and Expansion Risk

The Fund may expand its operations, depending on certain conditions, by acquiring additional businesses, products or technologies. There can be no assurance that the Fund will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business without substantial expenses, delays or other operational or financial difficulties. There can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income.

In connection with acquisitions completed by the Fund, there may be liabilities and contingencies that the Fund failed to discover or were unable to quantify in its due diligence which it conducted prior to the execution of the acquisition, and the Fund may not be indemnified for some or all of these liabilities and contingencies. The existence of any material liabilities or contingencies could have a material adverse effect on the Fund's business, financial condition and results of operations. Furthermore, acquisitions may involve a number of special risks including diversion of management's attention, failure to retain key personnel and unanticipated events or circumstances, some or all of which could have a material adverse effect on the Fund's performance.

The failure of the Fund to manage its acquisition or expansion strategy successfully could have a material adverse effect on the Fund's results of operations and financial condition.

On October 31, 2006, the Minister of Finance announced restrictions to the growth of income trusts. These restrictions, which are set out in the Normal Growth Guidelines issued by the Department of Finance on December 15, 2006, and which were enacted as part of Bill C-52, received Royal Assent on June 22, 2007, as amended on December 4, 2008 and February 25, 2009. These restrictions, which are discussed in more detail under the heading "Risks Related to the Structure of the Fund – Income Tax Matters" below, could have an adverse effect on the ability of the Fund to raise further equity or re-finance existing credit facilities in support of further growth.

Capital and Liquidity Risk

The amount of financial resources available to invest in the Fund's growth is dependent upon the ability to utilize debt and issue additional units. As the Fund operates it will likely require access to debt and equity markets. There is no assurance that the Fund will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing and development. On October 31, 2006, the Canadian Federal government introduced restrictions to the growth of income funds. These restrictions, which are set out in the Normal Growth Guidelines issued by the Department of Finance on December 15, 2006 and which were enacted as part of Bill C-52, received Royal Assent on June 22, 2007, as amended on December 4, 2008 and February 25, 2009. These restrictions could impact the Fund's ability to raise funds required to execute on all potential opportunities. Please see below under the heading "Risks Related to the Structure of the Fund – Income Tax Matters" for a more detailed discussion of the issue.

The Fund's current credit facilities require it to comply with certain financial covenants. Additionally, certain of the Fund's credit facilities become due for renewal from time to time. There can be no assurance of the Fund's ability to continue to comply with the financial covenants to appropriately service its debt or obtain continued commitments from debt providers given unforeseen events.

Current Global Financial Conditions

Current challenging global financial conditions have been characterized by increased volatility and numerous financial institutions have gone into bankruptcy or have had to be rescued by governmental authorities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. These factors may impact the ability of the Fund to obtain equity or debt financing on terms favourable to the Fund. As such, continued increased levels of volatility and market turmoil may impact the Fund's operations and adversely affect the price of the Fund units.

Reduction in Demand for Products

The Fund derives revenue from customers in a diverse cross-section of industries, including the public infrastructure markets and private sector markets such as natural resources, commercial development, residential construction, 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 changes made by the Canadian Standards Association. With respect to the private sector markets, there is a risk that the Fund will not continue to receive the level of order volumes from customers in such markets in the future due to a general economic downturn, delays in government infrastructure spending, increased competition or other factors. In addition, demand for the Fund'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.

Information Management

The integrity, reliability and security of information in all its forms are critical to the Fund's daily and strategic operations. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches and/or inappropriate disclosure or leaks of sensitive information.

Credit Risk

The Fund's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Fund's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions. The Fund is also exposed to credit risk from potential default by any of its counterparties on its foreign exchange forward contracts and interest rate swaps. The Fund manages this credit risk by dealing with counterparties that are major financial institutions and which the Fund anticipates will satisfy its obligations under the contracts.

The Fund is dependent in part on the viability of its customers for collections of trade accounts receivable. Exposure to credit risk with respect to its accounts receivables is minimized by the Fund's large customer base, which covers a diverse range of business sectors primarily in Canada. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Fund cannot ensure that its customers will not experience financial difficulties in the future and the Fund may not collect all of its accounts receivable.

Relationships with Suppliers

The Fund currently relies on a limited number of suppliers for its raw materials. The Fund has maintained long-term relationships with key suppliers of raw materials, which have resulted in a competitive advantage in procurement and reliability of supply.

There is no assurance that the Fund's raw material suppliers will be able to continue supplying it with the same quantity of materials, or on the same terms, under existing arrangements. There can be no assurance that, in the event the Fund 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, the Fund has typically not entered into written long-term agreements with any customers or suppliers. As a result, customers or suppliers may, with little or no notice or penalty, terminate their relationship with the Fund at any time. In addition, even if customers or suppliers should decide to continue their relationship with the Fund, there can be no guarantee that customers will purchase or suppliers will supply the same amount of product as in the past, or that the purchase or supply, as the case may be, will be on similar terms.

Expiration of Rights under Licence and Distribution Arrangements

A portion of the Fund's revenue is generated from the sale of products which are subject to licence arrangements or are distributed by the Fund pursuant to distribution arrangements. The Fund will need to take steps to either negotiate the renewals or extensions of its current licence 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 licence or distribution arrangements or develop alternate sources of revenue under any licence or distribution arrangements, which may be terminated or not renewed.

Furthermore, the Fund's licence arrangement with Isola AS concerning its Platon (foundation wrap) product contains a non-competition covenant applicable to the Fund pursuant to which the Fund has agreed to not manufacture or sell any products that are competitive with Platon for a period of two years following termination of such arrangement. Assuming that the non-competition covenant is enforced against the Fund, the Fund will be prohibited from being involved in a market in which it currently competes for a two-year period if the licence arrangement with Isola AS is terminated.

Availability and Price Volatility of Raw Materials

Raw materials supply factors such as allocations, economic cyclicality, seasonality, pricing, quality, timeliness of delivery, transportation and warehousing costs may affect the raw materials sourcing decisions made by the Fund. In the event of significant unanticipated increase in demand for the Fund's products and the supply of raw materials, the Fund may in the future be unable to manufacture certain products in a quantity sufficient to meet customer demand in any particular period.

Various raw materials are used in the products manufactured by the Armtec division. In particular, the primary raw materials used in the Armtec division's products are various types and grades of resins and steel. The Con-Force and Durisol divisions use cement, aggregates, rebar and steel strand. 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, the Fund manages its exposure to raw materials price volatility by considering this impact in its pricing strategy. However, there can be no assurance that the industry dynamics will allow the Fund to continue to reduce its exposure by passing on raw materials price increases to its customers.

Product Liability

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Fund's products or lawsuits and could be detrimental to the Fund's market reputation. The Fund'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. The Fund 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 the Fund's business and prospects. In addition, product defects may expose the Fund to product liability claims, for which it may not have sufficient product liability insurance.

Intellectual Property

The Fund uses various manufacturing processes to produce drainage products, precast and pre-stressed concrete products, highway noise barriers, as well as other 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, the Fund 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 licence from the relevant party. The Fund cannot be assured of obtaining any such licence on commercially favourable terms, or at all.

The Fund relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures, licences and agreements to protect its proprietary rights and certain proprietary rights licensed to the Fund under various distribution arrangements (collectively, the "Proprietary Technologies"). Despite efforts to protect the Proprietary Technologies by the Fund or the licensor of any of the Proprietary Technologies (the "Licensor"), unauthorized parties may attempt to copy aspects of the Fund's products or obtain information that the Fund regards as proprietary. Policing unauthorized use of the Proprietary Technologies may be difficult, time-consuming and costly. There can be no assurance that the Fund's or the Licensor'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 the Fund.

Reliance on Key Personnel

The Fund's operations are dependent on the abilities, experience and efforts of its senior management and key sales and support personnel. While the Fund 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 the Fund, the financial performance of the Fund could be significantly adversely affected until a replacement is found. The Fund may be unable to attract, assimilate, retrain or train other necessary qualified employees, which may restrict growth potential and disrupt operations.

Labour Markets

The success of the Fund is dependent on retaining qualified experienced people to operate its manufacturing facilities. Competition for labour in Canada and within the industry as a whole may limit the ability of the Fund to take advantage of opportunities otherwise available or alternatively may affect the profitability of such endeavours going forward.

Environmental

The Fund 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. The Fund believes that the conduct of its operations is currently in material compliance with existing environmental laws and regulations. In conjunction with independent engineering firms, the Fund 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 the Fund's financial condition.

Management believes that the Fund 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. The Fund 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, 679 employees at 18 manufacturing plants are subject to collective bargaining agreements. While management believes that the Fund's relations with its employees are in good standing, there are no assurances that a strike or other disruption by its unionized employees will not occur and adversely affect the results of operations of the Fund.

Currency Fluctuations

The Fund is exposed to currency risk primarily of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. There is a risk to the Fund's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Fund's financial results are reported in Canadian dollars. The Fund's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the U.S. dollar as a portion of the Fund's transactions occur with customers and suppliers in U.S. dollars.

Interest Rates

The Fund's credit facilities, a portion of which remain un-hedged with a floating to fixed interest rate swap, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Fund's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on the Fund's financial performance. The Fund is subject to interest rate risk on the portion of the outstanding balance of the credit facilities.

Uninsured and Underinsured Losses

The Fund maintains insurance policies with insurers in amounts and with coverages and deductibles that management of the Fund believes are reasonable and prudent. The Fund 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 from 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 the Fund.

Operating Hazards

The Fund's revenue is dependent on the continued operation of its facilities. The operation of facilities involves 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 the Fund 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 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. There can be no assurance as to the actual amount of these liabilities or the timing of them.

Risk of Future Legal Proceedings

The Fund 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 the Fund, or the imposition of a significant fine or penalty, as a result of a finding that the Fund has failed to comply with laws or regulations could have a material adverse effect on the Fund.

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada may be subject to change at any time. The impact on the Fund of any changes cannot be predicted.

Geographical Risk

With the recent acquisitions, the Fund has a significant portion of its business located in Western Canada. Growth in the oil and gas and natural resources sectors and in public works projects in anticipation of the 2010 Winter Olympics have resulted in significant economic activity in the areas that the Fund's manufacturing plants service. It is likely that at some point in the future economic activity will normalize and due to the nature of Fund's products and the associated freight costs, it is unlikely that a regional slowdown in activity could be offset by exporting product outside the traditional service areas.

Seasonality and Adverse Weather

Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by certain contracts or from the incremental costs arising from loss of productivity, compressed schedules, or overtime work utilized to offset the time lost due to adverse weather.

Geopolitical

Changes in the domestic and international political environment could affect the Fund's strategic and operational capabilities. The Fund's ability to source products and services could be compromised. These risks can arise from domestic and foreign trade agreements, policies, laws and regulations and other political events and could result in significant material losses or damage to our reputation. The Fund also monitors political changes that could affect the ability to remain competitive.

Risks Related to the Structure of the Fund

Dependence on the Fund's Subsidiaries

The 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, which is entirely dependent on the operations and assets currently owned by AOT through its direct and indirect ownership interests in AHL, ALP and other Fund subsidiaries. Cash distributions to holders of Fund units 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 Fund units depends upon numerous factors, including profitability, fluctuations in working capital, capital expenditures and compliance with covenants under the 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 Fund units. If the Fund ceases to qualify as a "mutual fund trust" under the Income Tax Act (the "Tax Act"), the income tax considerations of the Fund would be materially and adversely different in certain respects. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act or if the Fund units cease to be listed on a "designated stock exchange" (as defined in the Tax Act) in Canada, the Fund units will cease to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and the proposed tax-free savings accounts (collectively, "Deferred Income Plans"). The Fund will endeavour to ensure that the Fund units continue to be qualified investments for Deferred Income Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments in such plans and there is no assurance that the conditions prescribed for such qualified investments will be adhered to at any particular time. Finally, if the Fund ceases to qualify as a mutual fund trust for purposes of the Tax Act, the Fund will be required to pay tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund will affect the amount of cash available for distribution by the Fund and may have adverse consequences for holders of Fund units. 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.

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 and AEP to their 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 AEP 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 notes of AOT held by the Fund (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 holders of Fund units 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.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Tax Act. If the proposed amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004 (the “Proposed Amendments”) are enacted as proposed, the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Fund units held by non-residents of Canada or partnerships which are not “Canadian partnerships” for purposes of the Tax Act is more than 50% of the fair market value of all issued and outstanding Fund units -unless no more than 10% (based on fair market value) of the Fund’s property is at any time taxable Canadian property within the meaning of the Tax Act and certain other types of specified property. A partnership will only qualify as a Canadian partnership at a particular time if all of its members at that time are resident in Canada. The Proposed Amendments do not currently provide any means of rectifying a loss of mutual fund status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed amendments, and it is counsels’ understanding that further discussions will take place with the private sector before a decision is made concerning whether the Proposed Amendments will be enacted. Bill C-52, which received Royal Assent on June 22, 2007 amended the relevant provisions of the Tax Act such that a trust is deemed not to be a mutual fund trust after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the proposed amendments released on September 16, 2004. It should be noted that the restrictions on non-resident holders of Fund units may limit the demand for Fund units and therefore adversely affect the value of the Fund units.

On October 31, 2006, the Minister of Finance (Canada) announced the “Tax Fairness Plan” which, in part, proposed to significantly change the taxation of most publicly traded trusts and partnerships, including income trusts such as the Fund, and distributions and allocations from these entities to their investors. Legislation to implement the proposed changes received Royal Assent on June 22, 2007. The SIFT Rules apply a tax on certain income (other than taxable dividends) earned by a SIFT trust as defined in the Tax Act, and would treat the taxable distributions of such income received by unitholders of a SIFT trust as dividends. Pursuant to the SIFT Rules, the Fund will constitute a SIFT trust and, as a result, the Fund and its unitholders will be subject to the SIFT Rules. The SIFT Rules generally do not apply until the 2011 taxation year for income trusts, the units of which were publicly traded prior to November 1, 2006, such as the Fund. However, the SIFT Rules will apply immediately in any taxation year ending after 2006 if the SIFT trust does not comply with the Normal Growth Guidelines issued by the Department of Finance on December 15, 2006 and amended on December 4, 2008 and February 25, 2009, unless the excess growth arose as a result of a prescribed transaction.

There can be no assurance that the Fund will be able to retain the benefit of the deferred application of the SIFT Rules until 2011. Loss of the benefit of the deferred application of the SIFT Rules before 2011 could have a material and adverse affect on the value of the Units. When the SIFT rules apply to the Fund, the return to unitholders may be adversely affected.

No assurance can be given that Canadian federal or provincial income tax law respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the Fund and its unitholders.

Unitholder Limited Liability

The Declaration of Trust provides that no unitholder will incur or be subject to any liability, direct or indirect, absolute or contingent, in connection with the Fund or its assets or obligations and, in the event that unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the unitholders’ share of the Fund’s assets.

The Declaration of Trust further provides that the Trustees and the Fund shall make all reasonable efforts where practicable to cause to be inserted in any written agreement, undertaking or obligation made or issued on behalf of the Fund an appropriate statement of the disavowal and limitation of liability of the unitholders and Trustees. Personal liability may also arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely.

On December 16, 2004, the Government of Ontario passed the *Trust Beneficiaries’ Liability Act, 2004* which limits the liability of holders of trust units, in a manner similar to that afforded to holders of shares of Ontario incorporated

limited liability corporations. The legislation provides that the beneficiaries of a trust are not as beneficiaries, liable for any act, default, obligation or liability of the trust or any of its trustees that arises after the Act became law if, when the act or default occurs or the obligation or liability arise: (a) the trust is a reporting issuer under the *Securities Act* (Ontario); and (b) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and is governed by the laws of Ontario. However, the courts have not yet had an opportunity to consider this legislation.

The operations of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the unitholders for claims against the Fund.

Leverage and Restrictive Covenants

The ability of the Fund to make distributions 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. The degree to which the Fund is leveraged could have important consequences to the holders of the units, including: (1) the fact that the Fund's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (2) a significant portion of the Fund's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations and to pay distributions; (3) certain of the Fund's borrowings will be at variable rates of interest, which exposes the Fund to the risk of increased interest rates; and (4) the Fund may be more vulnerable to economic downturns and be limited in their 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 the Fund's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Fund 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 Fund to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facility could result in a default which, if not cured or waived, could result in a termination of distributions by the Fund and permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities, including any hedge contracts with the lenders, were to be accelerated, there can be no assurance that the assets of the Fund would be sufficient to repay in full that indebtedness.

Credit Facilities

Effective July 31, 2008, the Fund entered into an amended and restated credit facility in the aggregate maximum principal amount of \$240 million with a syndicate of lenders, which includes The Bank of Nova Scotia, Bank of Montreal, The Toronto-Dominion Bank and Alberta Treasury Branches. This credit facility replaced the prior bank facility.

The term loan and revolving loan facilities under the credit facilities will mature in October, 2012 and the bridge facility under the credit facilities will mature in June, 2009, with full repayment of each of the credit facilities due on its applicable maturity date, at which time AOT and ALP will have to refinance such credit facilities. The Fund will have to refinance or repay 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 Fund cannot refinance its debt, funds available for cash distributions to unitholders may be adversely impacted.

In addition, any failure by the Fund to comply with its obligations under the credit facilities (including the failure to meet certain covenants and financial ratios) may restrict the ability of the Fund 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 Fund units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Fund 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 Fund.

The Fund 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 redemption of Fund 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 Deferred Income Plans.

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 Fund units in public trading will be the annual return from distributions by the Fund on the Fund 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 Fund units.

Undiversified and Illiquid Holdings in AOT

The Fund's holding of units of AOT and the 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.

Forward-Looking Statements

This MD&A may contain "forward-looking" statements within the meaning of applicable securities legislation 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, events, expectations, performance or achievements expressed or implied by such forward-looking statements. All such forward-looking statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Fund's objectives, strategies to achieve those objectives, expected financial results, and the outlook for the Fund's business. Forward-looking statements typically contain such words or phrases such as "may", "outlook", "objective", "intend", "estimate", "anticipate", "should", "could", "would", "will", "expect", "believe", "plan" and other similar terminology suggesting future outcomes or events. These statements reflect current expectations regarding future events and operating performance and are based on information currently available to the Fund's management.

Forward-looking statements involve numerous assumptions, and significant and inherent risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. You should not unduly rely on forward-looking statements as a number of factors, many of which are beyond the control of the Fund, 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 "Risks and Uncertainties" and in the Fund's materials filed with the Canadian securities regulatory authorities from time to time including the Annual Information Form. Although the forward-looking statements contained in this report are based upon what management of the Fund believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. All forward-looking statements in this MD&A are qualified by these cautionary statements. These forward-looking statements and outlook are made as of the date of this MD&A and, except as required by applicable law, the Fund assumes no obligation to update or revise them to reflect new events or circumstances.