



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2009

Armtec Infrastructure Income Fund

Management's Discussion and Analysis

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The following Management's Discussion and Analysis ("MD&A") of Armtec Infrastructure Income Fund for the year ended December 31, 2009, should be read in conjunction with the audited annual 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.

The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Fund has included certain non-GAAP measures, which are used by management as a measure of 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. 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.

This MD&A has been prepared as at March 18, 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.

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 residential construction, commercial building, agricultural drainage and natural resources. Operating through its network of regional offices and production facilities across the country, Armtec is Canada's only national multi-material infrastructure application manufacturer. The Fund specializes in high density polyethylene ("HDPE") and corrugated steel pipe ("CSP") products for drainage and bridge applications, water management systems, a full suite of highway noise barriers and offers a wide variety of precast and pre-stressed concrete products, which provide advanced construction components and high-value engineered solutions to its customers.

In this MD&A, the Fund refers to structural projects and construction and infrastructure application products. The Fund considers structural projects to represent highly engineered precast projects generally in the Con-Force and Durisol divisions. Construction and infrastructure application products refer to common application products such as paving stones, small retaining walls, utility vaults, traffic barriers and pipe products including smaller bridge products.

Caution Regarding 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 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 should not be read as guarantees of future performance or results. Such statements will not necessarily be accurate indications of whether or not such future performance or results will be achieved. Forward-looking statements should not unduly be relied upon, 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 listed below and those discussed 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 MD&A 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.

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Overview

The focus of the Fund's management team in 2009 was to build resiliency into all aspects of its operations with an emphasis on productivity enhancing activities and improving customer service. The results for the year exceeded management's expectations in a period where private end-use markets were severely impacted by the economic downturn. The second half of the year saw increased demand from fast turnaround infrastructure stimulus funded projects, particularly in Central and Eastern Canada. Favourable weather conditions contributed to a strong year in the agricultural end-use markets. The residential markets showed signs of recovery; however, they have not returned to historical levels. As a result of these market conditions, the Armtec division had a record fourth quarter.

As anticipated, the Con-Force division's fourth quarter results were lower than the same quarter in 2008. Revenue in this division is heavily dependent on the timing of the large scale structural projects. In the fourth quarter of 2008, the Golden Ears Bridge and Tecumseh parkade projects were nearing completion and the Calgary airport parkade was in full production. In 2009, project work under production was not of the same scale as that of the comparable quarter of 2008. Offsetting the decline, the division benefited from increased revenue related to acquisitions in Central and Eastern Canada. At the conclusion of 2009, the timing of upcoming large project funding is not consistent with 2008 levels, particularly in Western Canada.

The Fund's diversity across products, geographic and end-use markets, in combination with a proven business acquisition strategy, supported overall improved results. Over the year, key initiatives were undertaken in line with realizing the Fund's 2009 priorities.

Continuing the Growth Strategy

In 2009, the Fund advanced its strategy of expanding its geographic coverage to build a national precast platform with the acquisition of the assets of Groupe Tremca Inc. ("Groupe Tremca") in May 2009 and the shares of Pre-Con Inc. ("Pre-Con") in June 2009. Groupe Tremca manufactures precast concrete infrastructure products including pipe, architectural and structural elements, highway noise barriers, retaining walls, precast amenities and steps. The Groupe Tremca acquisition significantly strengthened the Fund's competitive position in the Quebec marketplace. Pre-Con is based in Brampton and Woodstock and produces precast pre-stressed concrete products in Southern Ontario. The Pre-Con business complements the Ontario-based precast construction and infrastructure product capabilities that the Fund acquired with its purchase of Brooklin Concrete ("Brooklin") and Boucher Precast Concrete Ltd. ("Boucher") in 2008.

Financing

In the first quarter of 2009, the Fund issued an additional 3,100,000 units for gross proceeds of approximately \$55.0 million. The proceeds were used to repay a \$50.0 million Bridge facility on April 1, 2009.

In connection with the acquisitions of Groupe Tremca and Pre-Con, the Fund completed amendments to its existing Credit Facilities, increasing the term financing from \$140.0 million to \$183.0 million and adding a new non-revolving Bridge facility of \$40.0 million. The Term facility's maturity date remains in 2012, while the new Bridge facility is repayable in March 2011. The Fund also renegotiated the covenants associated with the Credit Facility, adding further financial flexibility.

Reorganization to Operate as "One Company"

On October 5, 2009, the Fund announced a corporate reorganization ("Reorganization") designed to capitalize on the significant acquisition growth the Fund has undertaken over the past three years, and transform the Fund by transitioning the various entities acquired into one operating entity. The Reorganization will place the Fund in a better position to compete effectively in the North American infrastructure markets by making available nationally its comprehensive range of products and services.

The Reorganization was effective January 1, 2010, and has brought together the Fund's former Armtec, Con-Force and Durisol divisions into one regionally based organization, supported by a centralized services group headquartered in Guelph, Ontario. The underlying management structure in the regions was optimized, sales forces were realigned and marketing strategies are currently being implemented. As previously announced, approximately 100 salaried positions will be eliminated, most of which were completed or the employees notified during the fourth quarter of 2009. Management also reviewed its manufacturing facilities to ensure the capital of the Fund is being

appropriately employed to achieve manufacturing efficiencies and better serve its customers. To support the new organizational structure, the Fund is in the process of implementing the SAP enterprise resource planning (“ERP”) system across its operations. The SAP ERP system implementation is expected to be completed by March 2011 with a total capital cost of approximately \$4.2 million, of which \$1.8 million was incurred during 2009.

The Reorganization will allow the Fund to capitalize on its new operational scale, product diversity and market depth to deliver a full range of innovative products and enhanced quality services to customers in local markets across Canada. In conjunction with the organizational changes, all operations will operate under the name “Armtec” and will begin reporting as one operating segment beginning January 1, 2010.

The Fund anticipates the Reorganization initiative will reduce operating expenses by \$6.0 million to \$8.0 million annually by 2011. During the fourth quarter of 2009, the Fund incurred \$4.6 million in Reorganization charges and anticipates incurring approximately \$1.5 million in additional costs primarily in the first half of 2010, in line with the estimate of \$6.1 million announced in October 2009. The fourth quarter charges are in addition to the \$1.9 million incurred in the first three quarters of the year related to other divisional initiatives.

Financial Performance

Results of Operations

For the periods ended December 31 (in thousands of Canadian dollars except per unit amounts)	Fourth Quarter		Year Ended	
	2009 (unaudited)	2008 (unaudited)	2009	2008
Revenue	\$ 116,969	\$ 117,084	\$ 463,829	\$ 392,063
Cost of sales	80,556	80,604	311,836	269,980
Amortization of property, plant and equipment	3,676	2,736	13,128	8,345
Gross margin	32,737	33,744	138,865	113,738
As a % of revenue	28.0%	28.8%	29.9%	29.0%
Distribution and warehousing	5,597	6,107	21,037	18,667
Selling, general and administrative	13,283	12,317	51,160	42,243
Reorganization expenses	4,640	-	6,496	-
Amortization of intangible assets	3,241	3,616	11,762	12,206
Earnings from operations	5,976	11,704	48,410	40,622
Interest and financing expenses	(3,978)	(4,241)	(13,557)	(9,197)
Earnings before taxes	1,998	7,463	34,853	31,425
Interest and financing expenses	3,978	4,241	13,557	9,197
Total amortization	6,917	6,352	24,890	20,551
Reorganization expenses	4,640	-	6,496	-
Fair value increments of acquired inventory	105	881	507	1,214
EBITDA	\$ 17,638	\$ 18,937	\$ 80,303	\$ 62,387
As a % of revenue	15.1%	16.2%	17.3%	15.9%
Basic and diluted earnings per unit	\$ 0.40	\$ 0.36	\$ 2.20	\$ 2.07
Basic distributable cash per unit¹	\$ 0.62	\$ 0.67	\$ 3.16	\$ 2.93
Diluted distributable cash per unit¹	\$ 0.62	\$ 0.67	\$ 3.15	\$ 2.93

¹ Please refer to the Liquidity, Distributable Cash and Distributions section of this MD&A for the reconciliation of this non-GAAP measure. Distributable cash per unit for 2009 excludes the impact of Reorganization expenses incurred during the year.

Full Year Results

Revenue

For the year ended December 31, 2009, revenue was \$463.8 million, an increase of \$71.7 million or 18.3% over \$392.1 million reported in 2008. Of this increase, \$116.8 million was attributable to the incremental impact of the business acquisitions completed during 2008 and the acquisitions of Groupe Tremca and Pre-Con in 2009. The \$45.1 million or 11.5% decline in base business, as compared to 2008, was principally attributable challenging economic conditions and low levels of activity across the Con-Force division’s structural precast business in British Columbia (“B.C.”) and a decrease in the Armtec division’s Western Canadian markets.

In the Armtec division, revenue was \$181.5 million for the year ended December 31, 2009, a \$9.0 million or 4.7% decline from \$190.5 million in 2008. Benefits from the increased stimulus spending in Central and Eastern Canada on highways and transportation, combined with success in international sales of structural steel plate products, were more than offset by continued weakness in the residential, commercial and forestry sectors in Western Canada.

Revenue in the Con-Force division increased \$71.5 million or 41.6% from \$171.4 million in 2008. Of this increase, \$101.2 million was attributable to the incremental impact of the 2008 and 2009 acquisitions. Base business revenue declined by \$29.8 million or 17.4% relative to last year. In comparison, 2008 was a strong year for the Con-Force structural precast business where large contracts such as the Golden Ears Bridge and the Tecumseh parkade contributed significant revenue. In 2009, revenue from significant projects, including the Calgary airport parkade, did not offset revenue levels from the 2008 projects. Demand in 2009 for precast products for commercial and residential applications was reduced across the country, reflecting current economic conditions. In addition, the tender process for many large structural projects was delayed.

The Durisol division's revenue was \$39.5 million for the year ended December 31, 2009, a \$9.4 million or 31.0% increase from \$30.1 million in 2008. The 2008 results include operations of Durisol from June 5, 2008 onwards. Durisol continued to benefit from a number of highway improvement projects in the Midwestern and Eastern United States ("US") as well as Ontario and most recently, Alberta.

Earnings from Operations

Earnings from operations for the year ended December 31, 2009 were \$48.4 million compared to \$40.6 million in the prior year, representing an increase of \$7.8 million or 19.2% over 2008. Earnings from operations include a charge of \$6.5 million in 2009 in connection with the Reorganization and other cost containment initiatives. There was no such charge in 2008. Excluding the impact of the Reorganization, earnings from operations would have been \$54.9 million or 35.2% over prior year levels.

Gross margin for 2009 was \$138.9 million, an increase of \$25.2 million over \$113.7 million in 2008. As a percentage of revenue, gross margin improved to 29.9% as compared to 29.0% in 2008. Both the Durisol and Armtec divisions achieved higher gross margins, reflecting moderating raw material markets and cost containment initiatives arising from the Fund's lean manufacturing program. Structural precast projects maintained consistent gross margin levels based on pre-recession bookings. The current environment is significantly more competitive. In addition, earnings from operations have increased as a result of the acquisitions completed during 2008 and 2009.

Distribution and warehousing was \$21.0 million compared to \$18.7 million in 2008. The additional costs reflect the incremental impact of the construction and infrastructure product lines introduced through the recent acquisitions. As a percentage of revenue, these costs were comparable with the same period last year.

Selling, general and administrative expenses were \$51.2 million or 11.0% of revenue as compared to \$42.2 million or 10.8% of revenue in 2008. The additional costs reflect the incremental impact of acquisitions completed in 2008 and 2009, offset in part by cost savings achieved later in the year arising from the Reorganization initiatives.

Amortization of intangible assets was \$11.8 million compared to \$12.2 million in 2008. These changes principally reflect the completed amortization of customer contract intangibles net of the amortization on intangible assets acquired during 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	
	2009 (unaudited)	2008 (unaudited)	2009	2008
Revenue	\$ 50,101	\$ 46,999	\$ 181,490	\$ 190,479
Earnings from operations before the following	7,307	4,625	24,579	23,527
Total amortization	2,106	1,822	7,813	6,965
Total non-recurring expenses and fair value increments related to inventory acquired	1,607	124	2,335	408
Earnings from operations	3,594	2,679	14,431	16,154

Revenue

Overall, the Armtec division was impacted by a significant slowdown in economic activity during the first three quarters of 2009. The fourth quarter's results reflect a turnaround, as government stimulus spending commenced on highways, transportation and municipal projects and more than offset the continued weakness in Western region residential and commercial markets.

Revenue for the Armtec division totalled \$181.5 million for the year ended December 31, 2009, a decrease of \$9.0 million or 4.7% from \$190.5 million in 2008. The Armtec division had a record fourth quarter with 6.6% growth over 2008 levels. However, the growth did not fully offset the decline experienced in the first three quarters of the year in the residential, commercial and forestry markets in Western Canada, attributable to the decrease in activity as evidenced by lower industry volumes for steel products. These private market declines were offset partially by additional government stimulus spending on highways and transportation projects in Central and Eastern Canada primarily occurring during the fourth quarter of the year. The division was also successful in gaining increased international sales, including a large structural plate order sold in the Caucasus region, thereby returning to more consistent historical levels.

Earnings from Operations

Earnings from operations for the year ended December 31, 2009 were \$14.4 million or 8.0% of revenue, compared to \$16.2 million or 8.5% of revenue in 2008. The division recognized \$2.3 million in non-recurring expenses during 2009 in connection with cost saving initiatives and the Reorganization. Excluding the non-recurring costs and amortization, earnings were \$24.6 million or 13.5% of revenues, an improvement of 4.5% over 2008 levels notwithstanding a decline in revenue. The division reported improved operating margins in the past three quarters of the year reflecting an improved product mix, a more stable raw material market and lower operating costs resulting from the implementation of many lean initiatives.

CON-FORCE DIVISION

Results of Operations For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2009 (unaudited)	2008 (unaudited)	2009	2008
Revenue	\$ 55,896	\$ 56,955	\$ 242,851	\$ 171,445
Earning from operations before the following	6,296	10,563	45,359	32,170
Total amortization	4,538	4,073	15,772	12,417
Total non-recurring expenses and fair value increments related to inventory acquired	3,011	757	4,509	806
Earnings from operations	(1,253)	5,733	25,078	18,947

Revenue

The Con-Force division's revenue for the year ended December 31, 2009 was \$242.9 million, an increase of \$71.5 million or 41.6% over \$171.4 million in 2008. Base business revenue declined as a result of the structural project volume decline in the B.C. region of the Con-Force division. Revenue from large projects in Alberta such as the Calgary Airport parkade, the WinSport Canada athletic complex and the Anthony Henday expansion was not sufficient to offset the revenues generated from the large projects such as the Golden Ears Bridge and Tecumseh parkade completed in 2008. Construction activity in B.C. was significantly below 2008 levels, as was the demand for precast products used in commercial and residential markets across the country.

In the fourth quarter of 2009, the Fund was successful in winning two large infrastructure projects in Ontario – the first being a \$26.9 million contract to supply water management products for a sewer system in the York-Durham region; the second being a \$43.0 million contract to supply precast tunnel liner rings for construction of the Toronto-York Spadina subway extension. Revenue from these projects will commence in 2010 and will run into 2011 in the case of the York-Durham project and 2012 for the Toronto subway extension.

Earnings from Operations

Earnings from operations for the year ended December 31, 2009 were \$25.1 million or 10.3% of revenue compared to \$18.9 million or 11.1% of revenue in 2008. Before the Reorganization charge of \$4.0 million, earnings from operations were \$29.1 million or 12.0% of revenue. The growth in earnings reflects the impact of the business acquisitions completed during the course of 2008 and 2009, offset in part by the decline in the base precast structural business.

While the residential and commercial construction markets have been negatively impacted by the economic downturn, the Fund expanded its product offering in these markets through its acquisitions of Brooklin and CFCP in 2008. As a result of the shift in product mix, the division maintained a consistent gross margin as a percentage of revenue as compared to 2008. The division experienced lower margins in the fourth quarter reflecting the increased competition in a recession economy.

DURISOL DIVISION

Results of Operations For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2009 (unaudited)	2008 (unaudited)	2009	2008 ¹
Revenue	\$ 10,972	\$ 13,130	\$ 39,488	\$ 30,139
Earnings from operations before the following	4,035	3,749	10,365	6,690
Total amortization	273	457	1,305	1,169
Total non-recurring expenses	127	-	159	-
Earnings from operations	3,635	3,292	8,901	5,521

¹ Results from the period commencing with the acquisition of Durisol on June 5, 2008.

Revenue

Revenue for the Durisol division for the year ended December 31, 2009 was \$39.5 million, an increase of \$9.4 million or 31.0% over \$30.1 million in 2008. Results in 2008 reflected seven months of operations from its acquisition date. The Durisol division continued to deliver strong results, supplying major highway sound barrier projects in the US as well as in Central Canada and Alberta. In 2009, approximately 60% of Durisol's revenue was derived from US projects, consistent with 2008 levels.

Earnings from Operations

Earnings from operations for the year ended December 31, 2009, were \$8.9 million, or 22.5% of revenue compared to \$5.5 million or 18.3% of revenues in 2008. The higher earnings reflect a mix of higher margin projects and manufacturing efficiencies resulting from continuing lean initiatives. In 2008, the division sub-contracted some production for US projects; no such arrangements were required in 2009. The Fund's foreign exchange hedging program was effective in supporting the 2009 margins achieved on US projects.

Interest and Financing Expenses

During the three- and 12-month periods ended December 31, 2009, interest and financing fees incurred on borrowings were \$4.0 million and \$13.6 million, respectively, as compared to \$4.2 million and \$9.2 million in the same periods in 2008. For the year, the increase over 2008 was due to the increased level of debt incurred in connection with the 2008 and 2009 business acquisitions.

During 2009, swap instruments converting the interest rate from a floating rate to a blended fixed rate of 2.9%, plus pricing margin, were in place on \$70.0 million of the Fund's Term facility. Prior to December 31, 2009, but effective in the first quarter of 2010, the Fund swapped an additional \$21.5 million of the outstanding term debt to a fixed rate of 2.45%. As a result, the Fund has converted \$91.5 million of its term debt to a fixed interest rate as required under the terms of the Credit Facility. The average effective interest rate for 2009 was 5.6%, a decrease from 5.9% for 2008.

Income Taxes

For the three- and 12-month periods ended December 31, 2009, the recovery of future income taxes, primarily related to the changes in the temporary differences associated with the amortization of intangible assets of the Fund, were \$6.1 million and \$8.6 million, respectively. There have been no changes to tax legislation that materially affect the Fund during the year ended December 31, 2009.

In 2007, amendments were made to the *Income Tax Act* (the "Tax Act") that will require certain income trusts, including the Fund, to pay tax on its income, similar to those paid by Canadian corporations. Assuming that the Fund complies with the normal growth guidelines, the Fund will not be subject to such tax until January 1, 2011. The payment of such tax will reduce the cash flow of the Fund, thereby reducing the amount available for distribution to its unitholders.

As an income trust, the Fund will be subject to tax commencing in 2011. Management and the trustees do not anticipate effecting any changes to the structure of the Fund prior to January 1, 2011. The management team is engaged in the process of evaluating the alternatives available to the Fund post 2010.

Cash Flow

For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2009 (unaudited)	2008 (unaudited)	2009	2008
Cash provided by (used in):				
Operating activities	\$ 49,808	\$ 43,502	\$ 90,587	\$ 51,066
Investing activities	(9,413)	(3,802)	(123,594)	(178,703)
Financing activities	(27,389)	(31,219)	37,616	123,892
Net increase (decrease) in cash	13,006	8,481	4,609	(3,745)
Cash – beginning of period	486	402	8,883	12,628
Cash – end of period	\$ 13,492	\$ 8,883	\$ 13,492	\$ 8,883

As at December 31, 2009, the Fund's cash and cash equivalents amounted to \$13.5 million compared to \$8.9 million in the prior year. The Fund had working capital of \$65.3 million as at December 31, 2009, a decrease of \$16.9 million compared to working capital of \$82.2 million as at December 31, 2008. Excluding the acquisitions made in 2009, non-cash working capital decreased by \$29.3 million, reflecting an improvement in collections of receivables and the management of inventory balances over the prior year.

Management is of the opinion that the level of working capital is sufficient to meet short-term obligations. The Fund's Revolving Credit Facility is available to finance temporary increases in working capital requirements throughout the construction installation season.

Operating Activities

For the year ended December 31, 2009, the Fund generated \$90.6 million of cash from operations compared to \$51.1 million recorded in 2008. Cash of \$61.3 million was generated before the change in non-cash working capital for the year ended December 31, 2009 compared to \$52.3 million generated in the same period of 2008. Non-cash working capital decreased \$29.3 million for 2009 compared to an increase of \$1.2 million for 2008. Management's focus on reducing working capital levels was realized through a reduction of \$13.5 million in inventory balances and \$24.4 million in accounts receivable levels compared to the prior year.

Investing Activities

Cash used in investing activities totalled \$123.6 million for the year ended December 31, 2009 compared to \$178.7 million used in the same period of 2008. During the year, the Fund acquired Groupe Tremca and Pre-Con with a cash outflow of \$105.8 million and made final payments of \$3.3 million to certain vendors of the 2008 acquisitions. During 2008, the Fund completed several business acquisitions totalling \$182.3 million, of which cash consideration was \$162.2 million. In addition, the final payment of \$5.9 million related to the acquisition of Con-Force was made in 2008.

For the year ended December 31, 2009, the purchase of property, plant and equipment and intangibles totalled \$15.1 million, with \$5.8 million considered sustaining capital expenditures for the purposes of determining distributable cash, versus \$11.3 million for the same period in 2008, of which \$6.5 million was considered sustaining. For the year ended December 31, 2009, generative expenditures included \$5.0 million related to a plant expansion for Con-Force, \$1.3 million for HDPE equipment and \$1.8 million for the Fund's implementation of a common ERP platform. For the same period of 2008, 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.

Financing Activities

During the year ended December 31, 2009, financing activities provided \$37.6 million compared to \$123.9 million provided during the same period of 2008. During 2009, additional units of the Fund were issued for net proceeds of \$51.3 million. These funds were used to repay the \$50.0 million Bridge Credit Facility, as required by the Fund's Credit Agreement, during the second quarter of 2009. The Fund subsequently drew \$83.0 million of its revised Credit Facilities, comprised of a \$40.0 million non-revolving Bridge facility and \$43.0 million on the Term facility, to fund the

acquisitions of Groupe Tremca and Pre-Con. Warrants were also issued by the Fund as partial consideration to the vendors of Groupe Tremca.

During 2008, the Fund had net borrowings of \$124.2 million on its Credit Facilities and used the proceeds, 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. Exchangeable partnership units and a note were issued as partial consideration to certain vendors.

Distributions paid during the year ended December 31, 2009 amounted to \$43.4 million at a rate of \$0.18 per unit per month on units outstanding, ranging from 17,140,133 to 20,216,074. A special distribution was declared in December 2009 at \$0.05 per unit for payment in January 2010 (December 2008 – \$0.05 per unit). During the same period of 2008, distributions of \$34.2 million were made at per unit amounts ranging from \$0.15 to \$0.18 on units outstanding, ranging from 15,076,073 to 17,140,133.

Fourth Quarter Results

Revenue

Revenue of \$117.0 million for the fourth quarter of 2009 was in line with \$117.1 million earned in 2008 and met management's expectations. Revenue of \$16.3 million was recognized by the newly acquired Pre-Con and Tremca, offsetting the decline in base business. The Armttec division recognized revenue of \$50.1 million in the quarter, an increase of \$3.1 million compared to the same period in 2008. This result represented a record fourth quarter for the division and was the first quarter of 2009 that revenue exceeded prior year levels. The division experienced increased activity in the infrastructure and natural resources markets, offset in part by continuing weakness in residential and commercial markets. The most significant improvements were experienced in Eastern Canada, with the Western region continuing to lag behind prior year levels. The division also benefited from significant international shipments of engineered products, including the early phases of a large project in the Caucasus region.

Despite the incremental revenue of the Groupe Tremca and Pre-Con acquisitions, fourth quarter revenue of \$55.9 million in the Con-Force division was \$1.1 million lower than for the same period in 2008. The most significant downside in the base business relative to last year arose in the precast structures business. In the fourth quarter of 2008, the Fund commenced the significant Calgary airport project. There were no similar projects during the fourth quarter of 2009. The reduced volume of order activity was particularly evident in the B.C. infrastructure market, along with general weakness in commercial and residential markets across the country.

The Fund's Durisol division generated revenue of \$11.0 million during the fourth quarter of 2009, a decrease of \$2.1 million compared to the same period in 2008. During 2008, the division subcontracted additional volume for production in the US. Business for the division remained robust, with significant highway barrier projects produced for the Midwestern US and Alberta.

Earnings from Operations

Earnings from operations for the three months ended December 31, 2009 was \$6.0 million inclusive of a non-recurring charge of \$4.6 million in connection with the Fund's Reorganization initiatives, announced on October 1, 2009. In 2008, the comparable earnings from operations were \$11.7 million.

Gross margin for the three months ended December 31, 2009 was \$32.7 million, a decrease of \$1.0 million from the same period last year. As a percentage of revenues, gross margin decreased to 28.0% as compared to 28.8% in 2008. Gross margin percentages increased in both the Armttec and Durisol divisions, reflecting an improved product margin mix, stable raw material costs and the benefits of ongoing lean manufacturing initiatives. These improvements were offset by lower gross margins in the Con-Force division reflecting lower activity levels in the structural businesses and the impact of more competitive pricing in newer precast structures projects relative to 2008.

The Fund's amortization of property, plant and equipment increased \$1.0 million during the fourth quarter of 2009 over the same period of 2008, reflecting the depreciation of the capital of the 2009 acquired businesses.

Distribution and warehousing costs were \$5.6 million or 4.8% of revenue in 2009 comparable to 5.2% in 2008. Selling, general and administrative expenses in the fourth quarter of 2009 were \$13.3 million or 11.4% of revenue compared to \$12.3 million or 10.5% of revenue in 2008. The overall increase in costs reflects the impact of 2009 business acquisitions, offset in part by initial savings as anticipated through the Reorganization program. The Fund anticipates selling, general and administration costs to approximate 10% of revenue once the Reorganization is completed.

The Fund's amortization of intangible assets was \$3.2 million in the fourth quarter of 2009, consistent with \$3.6 million in 2008.

Cash Flow

Operating Activities

For the fourth quarter of 2009, the Fund generated \$49.8 million of cash from operations compared to \$43.5 million generated in 2008. Before the change in non-cash working capital, \$9.6 million was generated as compared to cash provided of \$13.7 million in the fourth quarter of 2008. Reduced levels of non-cash working capital provided \$40.3 million of operating cash flows in the quarter, representing an improvement of \$10.5 million over the \$29.8 million provided in the prior year and was related primarily to the reduction of accounts receivable balances partially offset by a decrease in deferred contract revenue.

Investing Activities

Cash used in investing activities totalled \$9.4 million for the three months ended December 31, 2009 compared to \$3.8 million used in 2008. Funds used for business acquisitions during the fourth quarter of 2009 principally related to the final payment to the vendors of Pre-Con.

Purchases of property, plant and equipment and intangibles totalled \$3.5 million for the three months ended December 31, 2009, of which \$1.5 million was considered sustaining capital expenditures for the purposes of determining distributable cash. Generative expenditures for the fourth quarter of 2009 included \$1.1 million related to the Fund's implementation of a common ERP platform. Purchases of property, plant and equipment totalled \$4.4 million for the fourth quarter of 2008, of which \$3.4 million was considered sustaining capital expenditures and \$1.0 million was considered generative expenditures.

Financing Activities

Cash used in financing activities for the three months ended December 31, 2009 was \$27.4 million, compared to \$31.2 million used in the same period of 2008. During the fourth quarter of 2009, the Fund repaid \$16.5 million on its Revolving Credit Facility and capital lease obligations compared to the \$21.9 million repaid during the fourth quarter of 2008. Also during the fourth quarter of 2009, distributions paid to unitholders were \$10.9 million, a 17.2% increase compared to \$9.3 million paid to unitholders in the same period of 2008.

Outlook

The outlook for the infrastructure market is growing increasingly positive with various levels of government having committed to stimulus programs that augment their pre-recession commitments to increase infrastructure spending. While the incremental impact of these initiatives was delayed, funds have now been allocated to the fast turnaround projects which tend to disproportionately benefit the drainage and sound barrier products offered by the Fund. In 2009, the delay in the allocation of government funds created a delay in the timing of revenue being recognized on these projects. These timing issues are not expected to repeat in 2010. Longer term, many pre-recession project commitments are anticipated to commence subcontracting and production throughout 2010. The Fund is focused on maintaining its market share in 2010, although Fund management anticipates an increasingly intensive competitive environment which will result in gross margins as a percentage of revenue, being lower than experienced in 2009.

The acquisitions of Groupe Tremca and Pre-Con did not change the seasonal pattern of the Fund's business in 2009 in a material way. Construction activity in the Fund's markets taper off with the onset of winter weather conditions and remains at a very low level through the first quarter. It is not uncommon for the Fund to experience losses in the first quarter of the year as a result. In 2010, this will be further exacerbated by the timing of production in the engineered solutions business of the Fund. Management anticipates production of engineered solutions to reach peak levels much later in the year than normal. As a result, the Fund will have unutilized capacity early in the year, translating to lower margins.

Fund management anticipates markets will still be impacted by the recession in 2010. Residential end-use markets improved in the second half of 2009 and this trend is expected to continue despite the end of the Canadian federal government's home renovation tax incentive. The agriculture market continues to be influenced by the improved financial strength of its end-use customers, although continued success in this market remains heavily dependent on weather conditions during the limited installation season. Demand from commercial construction projects improved marginally near the end of 2009 while the forestry market remains well off the levels of previous years with no sign of improvement in sight.

As an income trust, the Fund will be subject to tax commencing in 2011. Management and the trustees do not anticipate effecting any changes to the structure of the Fund prior to January 1, 2011. The management team is engaged in the process of evaluating the alternatives available to the Fund post 2010.

Working capital levels and the Fund's capital structure are continually monitored by both management and the Board of Trustees, especially in light of the March 2011 maturity of the \$40.0 million Bridge facility. Management does not anticipate any difficulties with the repayment or refinancing of this component of its capital structure.

Given the competitive markets the Fund operates in and the early stages of a fragile economic recovery, management remains focused on reducing the cost base of the business. A key component to the Fund's strategy is the successful execution of the Reorganization and the cost reduction initiatives announced in 2009, while capitalizing on revenue growth opportunities afforded by the expanded customer and product base and productivity enhancing activities.

2010 Corporate Priorities

In 2010, the Board of Trustees, management teams, and employees of the Fund will be focused on the growth and further integration of the Fund's business model. In order to accomplish the vision of the Fund, five key priorities have been established for 2010:

"One Company" Integration:

- Effectively rollout One Company integration plans.
- Align all regions and functions with our Vision/Mission/Values.
- Achieve organization-wide SAP implementation timelines.

Sales Excellence:

- Align sales go-to-market strategy across the organization.
- Determine, and execute a One Company branding solution.
- Provide sales force with the training and materials required to achieve our Vision.

Invest in Employees:

- Support and develop employees for success.
- Measure employee satisfaction within each region.
- Provide managers and supervisors with the tools and skills to excel as people managers.

Operational Excellence:

- Maintain and enhance a proactive approach to safety that reduces accident frequencies.
- Build our lean platform into every aspect of manufacturing.
- Aggressively pursue efficiencies in purchasing and logistics.

Conclusion of the Trust Structure:

- Prepare to become taxable in 2011.
- Determine most appropriate future corporate form.
- Plan the process for conversion, if appropriate.

The management team remains focused on the 2010 Corporate Priorities, furthering the integration of the 10 acquisitions completed in the past three years. The management teams are committed to building resiliency into the business in order to remain responsive to end-use and geographic market fluctuations in addition to the underlying economic drivers impacting the Fund while delivering value to employees, customers and unitholders. The Fund will make the changes necessary to address the continuing challenging demand conditions in order to merge as a stronger, more customer focused business as the private markets 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 provided by or used in operating activities adjusted for items not affecting cash, non-recurring expenses, 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 measures 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-month periods ended December 31, 2009 and 2008 is as follows:

For the periods ended December 31 (in thousands of Canadian dollars except unit and per unit amounts)	Fourth Quarter		Year Ended	
	2009 (unaudited)	2008 (unaudited)	2009	2008
Cash provided by operating activities	\$ 49,808	\$ 43,502	\$ 90,587	\$ 51,066
Items not affecting cash:				
Fair value increments of acquired inventory	105	881	507	1,214
Other	(200)	293	(81)	180
Items not affecting operating cash flow:				
Sustaining capital purchases	(1,514)	(3,396)	(5,793)	(6,503)
Net (decrease) increase in non-cash working capital	(40,255)	(29,798)	(29,324)	1,235
Distributable cash ¹	7,944	11,482	55,896	47,192
Reorganization expenses	4,640	-	6,496	-
Distributable cash excluding Reorganization expenses	\$ 12,584	\$ 11,482	\$ 62,392	\$ 47,192
Basic distributable cash per unit ¹	\$ 0.39	\$ 0.67	\$ 2.83	\$ 2.93
Diluted distributable cash per unit ¹	\$ 0.39	\$ 0.67	\$ 2.82	\$ 2.93
Basic distributable cash per unit excluding Reorganization expenses	\$ 0.62	\$ 0.67	\$ 3.16	\$ 2.93
Diluted distributable cash per unit excluding Reorganization expenses	\$ 0.62	\$ 0.67	\$ 3.15	\$ 2.93
Distributions declared	\$ 11,927	\$ 10,113	\$ 44,127	\$ 33,444
Distributions declared per unit	\$ 0.59	\$ 0.59	\$ 2.21	\$ 2.06
Net earnings for the period	\$ 8,135	\$ 6,154	\$ 43,488	\$ 33,304
Basic and diluted earnings per unit	\$ 0.40	\$ 0.36	\$ 2.20	\$ 2.07
Basic weighted average number of units outstanding	20,216,074	17,140,133	19,770,125	16,093,543
Diluted weighted average number of units outstanding	20,277,757	17,140,133	19,807,497	16,093,543

¹ Distributable cash has been reduced by the non-recurring Reorganization expenses of \$4,640 and \$6,496 for the three- and 12-month periods ended December 31, 2009, respectively.

Distributions declared for the 12 months ended December 31, 2009 were \$44,127, representing a 32% increase over distributions for the same period in 2008. Cash provided by operating activities was greater than distributions declared and distributable cash during the three- and 12-month periods ended December 31, 2009 and 2008. Historically, by the fourth quarter of each year, cash provided by operating activities exceeds both distributions declared and distributable cash. The Fund continues to maintain a conservative annual payout of distributions declared to distributable cash at 70.7%, excluding Reorganization expenses (2008 – 70.9%).

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 was the case as at December 31, 2009 and 2008. The Fund expects cumulative cash

provided by operating activities for the foreseeable future to exceed cumulative future distributions. The Fund expects cumulative distributions, while in a trust structure, 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 comprises 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 a business 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 during the period ended December 31						
	2010	2011	2012	2013	2014	Thereafter	Total
Term facility	\$ -	\$ -	\$ 183,000	\$ -	\$ -	\$ -	\$ 183,000
Bridge facility	-	40,000	-	-	-	-	40,000
Promissory notes	1,679	1,000	1,000	667	-	-	4,346
Capital leases	633	655	194	-	-	-	1,482
Operating leases	6,651	5,724	5,095	3,881	3,443	30,061	54,855
Commitments for capital expenditures	2,062	-	-	-	-	-	2,062
Consideration payable to vendors	15,528	-	-	-	-	-	15,528
Pension plan funding obligation	994	994	994	994	994	-	4,970
Total	\$ 27,547	\$ 48,373	\$ 190,283	\$ 5,542	\$ 4,437	\$ 30,061	\$ 306,243

The Fund's accrued benefit liability was \$16,234 and \$6,833 at December 31, 2009 and 2008, respectively. 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 \$6.0 million to \$9.0 million will be spent on an annual basis for sustaining capital expenditures in order to maintain the Fund's manufacturing capability. 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	
	2009 (unaudited)	2008 (unaudited)	2009	2008
Sustaining capital purchases	\$ 1,514	\$ 3,396	\$ 5,793	\$ 6,503
Generative capital purchases	1,945	1,048	9,342	4,764
Total purchases	\$ 3,459	\$ 4,444	\$ 15,135	\$ 11,267
Purchase of property, plant and equipment	\$ 2,318	\$ 3,837	\$ 13,140	\$ 9,999
Purchase of intangible assets	1,141	607	1,995	1,268
Total purchases	\$ 3,459	\$ 4,444	\$ 15,135	\$ 11,267

Generative expenditures for the year ended December 31, 2009 included: \$5.0 million related to the Con-Force Edmonton plant expansion, \$1.3 million for HDPE equipment and \$1.8 million for the Fund's implementation of a common ERP platform. Generative expenditures for the year ended December 31, 2008 included: \$0.8 million related to an expansion of the Con-Force Calgary plant and \$2.3 million related to the purchase of HDPE corrugators for the Armtec division.

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 a \$50.0 million Revolving Credit Facility that provides the cash resources necessary to fund changes in working capital levels. 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 the Credit Facility agreement covenants are achieved. Generally, the most significant financing restrictions relate to permitted investments and distributions, as well as the maintenance of certain financial ratios. The Fund's financial covenant ratios are primarily linked to trailing operating earnings before interest, taxes, depreciation and amortization adjusted for certain inclusions, such as the pro-forma earnings related to acquisitions, and exclusions ("Adjusted Earnings"). At December 31, 2009, the Fund must maintain a ratio of funded debt to Adjusted Earnings on a rolling four quarters basis, of 3.25:1 as well as a ratio above 4:1 of Adjusted Earnings over interest expensed. The Fund was in compliance with all covenants for the year ended December 31, 2009.

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 \$11,927 and \$44,127 were declared for the three- and 12-month periods ended December 31, 2009, as compared to \$10,113 and \$33,444 for 2008. Included in these distributions was a special distribution of \$0.05 per unit declared in December 2009 (December 2008 – \$0.05 per unit). Distributions were financed through cash from operations and seasonal borrowings under the Revolving Credit Facility.

Capital Resources

As at December 31, 2009, no balance was outstanding on the Revolving Credit Facility. The Revolving Credit Facility of up to \$50.0 million is available to fund seasonal working capital requirements and distributions.

During the second quarter of 2009, the Fund completed amendments to its existing Credit Facility to fund the acquisitions of Groupe Tremca and Pre-Con. An additional \$43.0 million was advanced on the Term facility and a further \$40.0 million was advanced on a new non-revolving Bridge facility. The Bridge facility will mature on March 31, 2011, and the October 2012 maturity of the Term facility remains unchanged.

As required under the Fund's Credit Agreement, the \$183.0 million Term facility and the \$40.0 million Bridge facility were fully drawn. Each facility bears interest at rates that depend on certain financial ratios and vary in accordance with borrowing rates in Canada. Swap instruments that convert a portion of the \$183.0 million Term facility from a floating rate to a fixed rate, designated as hedges for accounting purposes, contributed a mark-to-market gain of \$1.3 million during the year, which was reflected in the Fund's Consolidated Statement of Comprehensive Income. Prior to December 31, 2009, but effective in the first quarter of 2010, the Fund swapped an additional \$21.5 million of the outstanding term debt to a fixed rate of 2.45%. As a result, the Fund has converted \$91.5 million of its term debt to a fixed interest rate as required under the Credit Facility.

Financial Instruments

The Fund has classified its cash and cash equivalents as held-for-trading; accounts receivable has 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 Fund's interest rate swaps was estimated based on the amount that would need to be paid or would be received to terminate the agreement.

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 further 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 US dollar, as a portion of the Fund's transactions occur with customers or suppliers in US 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. 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 18 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 primarily 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 19 of the separately issued audited 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. During 2009, the issuance of an additional 3,102,941 units of the Fund was completed. During 2009, 1,106,012 exchangeable partnership units were exchanged for units of the Fund. As at March 18, 2010, there were 19,822,185 Fund units issued and outstanding. During the first quarter of 2009, 27,000 exchangeable partnership units were cancelled in settlement of the amount due from Clearford Industries Inc. pursuant to the acquisition of Brooklin in 2008. As at March 18, 2009, there were 393,889 exchangeable partnership units issued and outstanding.

As at March 18, 2009, the number of units issued and outstanding using the "if converted" method was 20,216,074.

Selected Financial Information

For the year ended December 31	2009	2008	2007
Revenue	\$ 463,829	\$ 392,063	\$ 206,226
Net earnings	43,488	33,304	22,889
EBITDA (unaudited)	80,303	62,387	30,810
Distributable cash (unaudited)	55,896	47,192	27,115
Distributable cash excluding Reorganization (unaudited)	62,392	47,192	27,115
Basic distributable cash per unit (unaudited)	2.83	2.93	2.36
Diluted distributable cash per unit (unaudited)	2.82	2.93	2.36
Basic distributable cash per unit excluding Reorganization (unaudited)	3.16	2.93	2.36
Diluted distributable cash per unit excluding Reorganization (unaudited)	3.15	2.93	2.36
Basic and diluted earnings per unit	2.20	2.07	1.99
Distributions per unit	2.21	2.06	1.76
Total assets	651,758	536,597	326,627
Total long-term debt	225,730	146,700	65,549

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

During the years 2007 through 2009, the major changes in the assets and liabilities of the Fund related to acquisitions that were a part of its growth strategy.

During 2009, the Fund issued 3,102,941 additional Fund units. The majority of the proceeds from the issuance were used to repay the Fund's \$50.0 million non-revolving Bridge facility on April 1, 2009. Also during the second quarter, 235,294 warrants were issued in connection with the Groupe Tremca acquisition. In connection with the 2009 acquisitions, the Fund amended its Credit Facilities, which increased its term debt to \$183.0 million and drew \$40.0 million in a new non-revolving Bridge facility.

During 2008, in connection with the acquisitions during 2008, the Fund issued 1,552,800 additional units of the Fund and 511,260 exchangeable partnership units. The Fund amended its Credit Facilities twice resulting in a \$140.0 million Term facility and \$50.0 million Revolving facility. As well, a new non-revolving Bridge facility of \$50.0 million was used.

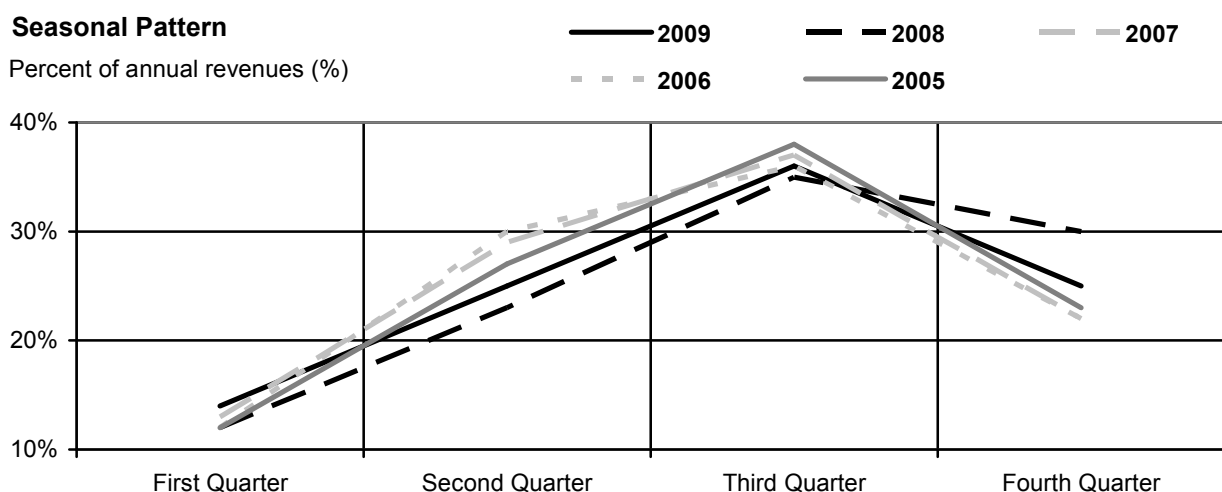
During 2007, in connection with the Con-Force acquisition, the Fund issued 3,705,000 units and 1,067,073 exchangeable partnership units. The Fund also increased its existing Term and Revolving Credit Facilities to \$65.0 million and \$40.0 million, respectively.

Summary of Quarterly Results

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

Three months ended	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008
Revenue	\$116,969	\$165,161	\$117,952	\$ 63,747	\$117,084	\$137,794	\$ 90,758	\$ 46,427
Gross margin	\$ 32,737	\$ 54,835	\$ 39,389	\$ 11,904	\$ 33,744	\$ 42,820	\$ 26,425	\$ 10,749
EBITDA (unaudited)	\$ 17,638	\$ 38,097	\$ 23,662	\$ 906	\$ 18,937	\$ 26,093	\$ 15,556	\$ 1,801
Net earnings (loss)	\$ 8,135	\$ 26,859	\$ 15,687	\$ (7,193)	\$ 6,154	\$ 19,670	\$ 10,271	\$ (2,791)
Basic earnings								
(loss) per unit	\$ 0.40	\$ 1.33	\$ 0.78	\$ (0.39)	\$ 0.36	\$ 1.16	\$ 0.67	\$ (0.18)
Diluted earnings								
(loss) per unit	\$ 0.40	\$ 1.33	\$ 0.78	\$ (0.39)	\$ 0.36	\$ 1.16	\$ 0.67	\$ (0.18)

The Fund's business is seasonal in nature, with sales increasing 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. The following graph represents the seasonal revenue pattern over the past five years¹:



1 The revenues for the fourth quarter of 2007 have been adjusted to remove the Con-Force revenues in the period. Con-Force was acquired on October 1, 2007.

Non-GAAP Measures

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

References to EBITDA are to earnings before interest, taxes (other than capital taxes), depreciation and amortization, certain non-recurring expenses and certain non-cash amounts 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	
	2009 (unaudited)	2008 (unaudited)	2009	2008
Earnings for the period	\$ 8,135	\$ 6,154	\$ 43,488	\$ 33,304
Amortization of property, plant and equipment	3,676	2,736	13,128	8,345
Amortization of intangible assets	3,241	3,616	11,762	12,206
Interest and financing expenses	3,978	4,241	13,557	9,197
(Recovery of) provision for future income taxes	(6,137)	1,309	(8,635)	(1,879)
Non-recurring Reorganization expenses	4,640	-	6,496	-
Fair value increments of acquired inventory	105	881	507	1,214
EBITDA	\$ 17,638	\$ 18,937	\$ 80,303	\$ 62,387

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

Management's 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, revenue, 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, accrued 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, 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 change over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions. Additional 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 tradenames, 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, 2009 and 2008. 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.

Accrued Benefit Liabilities

On June 30, 2009, the Fund purchased Pre-Con and as part of the transaction, the Fund assumed Pre-Con's defined benefit and post-employment obligations.

Post-employment benefits are accounted for on an accrual basis. 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.

The Fund reviews data provided by actuaries when developing assumptions used in the determination of defined benefit pension costs and accrued pension benefit obligations. Assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets include, but are not limited to: discount rates, long-term rates of return for plan assets, rates of future compensation and health care cost trends. Actual defined benefit pension costs, accrued pension benefit obligations and pension plan assets incurred may differ materially from management's estimates due to updated historical information and updated economic conditions used in the material assumptions underlying these 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

a) Goodwill and Intangible Assets

Effective for the first quarter of 2009, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") 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 International Accounting Standard ("IAS") 38, "Intangible Assets". The adoption of CICA Section 3064 had no effect on the Fund's consolidated financial position on the date of adoption.

b) Financial Instruments – Disclosures

Effective for the fourth quarter of 2009, the Fund adopted amendments to CICA Section 3862, “Financial Instruments – Disclosures”, which include additional disclosure requirements for fair value measurement of financial instruments and liquidity risk. These amendments require classification of financial instruments, including marketable securities, if applicable, and derivative financial instruments, measured at fair value in the consolidated balance sheets using a three level hierarchy that reflects the extent to which the inputs used in making the fair value measurements were obtained from independent sources. Other than disclosure, the adoption of CICA Section 3862 had no effect on the Fund’s consolidated financial condition on the date of adoption. As a result of implementing these amendments, the Fund included additional disclosure in Note 18 of the Fund’s separately issued annual consolidated financial statements pertaining to its derivative financial instruments.

International Financial Reporting Standards (“IFRS”)

Background, Project Approach and Progress

The Canadian Accounting Standards Board confirmed in February 2008 plans for Canadian public entities to adopt IFRS effective for interim and annual periods commencing on or after January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP there are significant differences in accounting policies that must be evaluated. More disclosures will be required under IFRS.

The Fund’s IFRS conversion project began in 2008. The project’s philosophy is to align with current accounting practices and policies, where possible, to minimize the impact of changes to the business. Changes in regulations or economic conditions at the date of changeover or throughout the project could result in changes to the project.

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. Due to ongoing changes, these phases may be in process simultaneously, for various individual IFRS standards. Since the project began, the Fund has completed phases (i) and (ii). Based on the work completed, the Fund identified major recognition, measurement and reporting differences and assessed IFRS impacts on business processes and information systems.

During 2010, the Fund will complete phases (iii) and (iv). The Fund has begun the design of the solution and the implementation phase on many of the standards that could potentially have a significant impact on the Fund’s financial condition. During the fiscal 2010 year, the Fund will maintain Canadian GAAP for reporting purposes and develop reconciliations for each interim and annual period from Canadian GAAP to IFRS beginning with an opening balance sheet on the Fund’s transition date of January 1, 2010. These reconciliations between Canadian GAAP and IFRS for the interim and annual periods will be presented during the fiscal 2011 year, with comparable results for 2010, beginning with the Fund’s first quarter results for March 31, 2011.

Potential Accounting Changes as a Result of Transition to IFRS

While IFRS uses a conceptual framework similar to Canadian GAAP, there are differences between the standards that continue to be assessed. The table below provides a brief summary of select IFRS standards that may impact the Fund, their differences from current Canadian GAAP and their potential impact on the Fund. The table is not comprehensive and does not include all of the differences from Canadian GAAP for the IFRS standards. Due to potential changes in IFRS prior to the Fund’s transition, the table does not include all the standards that may have a significant impact on the Fund’s consolidated financial condition.

Standards	Difference from current Canadian GAAP	Potential impact to the Fund
Presentation and disclosure	IFRS requires significantly more disclosure than Canadian GAAP for certain standards. In some cases, IFRS also requires different presentation on the balance sheet and statement of earnings.	The disclosure required under IFRS is significantly more than Canadian GAAP and will require the Fund to change its financial reporting processes.
First-time adoption	IFRS contains strict guidance on the first-time adoption of IFRS. The standard contains several elections to ease transition and some mandatory exemptions to the retrospective application of IFRS.	The Fund will choose which available elections it wishes to make and ensure it follows the mandatory exemptions as required in the standard.
Business combinations	Transaction costs including legal costs and other expenses are recognized as expenses	The Fund will have to apply these changes to any new business combinations subsequent to

Standards	Difference from current Canadian GAAP	Potential impact to the Fund
	when incurred. Contingent consideration should be recorded at fair value at the acquisition date. Contingent liabilities must be recognized at fair value (even if they are not probable).	the Fund's transition date of January 1, 2010. The Fund may elect to apply these changes beginning in any period prior to the transition date.
Property, plant and equipment	Major asset components with differing useful lives must be depreciated separately. Borrowing costs related to qualifying assets must be capitalized if certain conditions are met.	Annual depreciation expense may change due to the accounting for more components and the carrying value of property, plant and equipment at the date of transition will be impacted to reflect the retrospective application of depreciating on a component basis.
Lease accounting	The classification of a lease as either a finance (capital) or an operating lease depends on whether substantially all of the risks and rewards incidental to ownership have been transferred from the lessor to the lessee.	Certain leases currently classified as operating leases may be considered finance leases under IFRS.
Financial instruments	Puttable financial instruments, including the Fund's unitholders' capital, which do not meet specific criteria, are required to be classified as a liability.	In its current form the Fund may have to reclassify its unitholders' capital from that of an equity instrument to that of liability instrument while still an income trust.
Hedge accounting	IFRS prohibits the use of qualitative methodologies, including critical term matching as allowed for under Canadian GAAP, which assumes no ineffectiveness in the retrospective effectiveness assessment of a hedging relationship. IFRS requires that hedge effectiveness be assessed and measured by the use of quantitative methodologies such as regression analysis, the hypothetical derivative model or dollar offset model.	The Fund needs to determine if it will continue to use hedge accounting for certain of its financial derivatives. If the Fund decides not to use hedge accounting under IFRS, then changes in the fair value of these derivatives would flow through the Fund's statement of earnings.
Employee benefits	IFRS provides several accounting policy choices for the recognition of actuarial gains and losses on employee benefit plans. Additionally, on transition to IFRS, an exemption exists which allows previously unrecognized actuarial gains and losses to be recorded through opening retained earnings.	Depending on its accounting policy choice the Fund could record actuarial gains and losses through equity or alternatively through earnings similar to existing policies or through earnings on an accelerated methodology. Additionally, on transition to IFRS the Fund could chose to record all previously unrecognized actuarial gains or losses through opening retained earnings.
Impairment of assets	Impairment testing under IFRS involves a one step process where the carrying value of the asset (or group of assets) is compared to the recoverable amount, which is defined as the higher of the value-in-use (discounted cash flows) or fair value less cost to sell. IFRS allows the reversal of impairment losses, other than for goodwill and indefinite life intangible assets.	The potential for asset impairments may increase for assets whose carrying amounts are currently supported by an undiscounted cash-flow basis. However, the requirement to subsequently reverse impairment losses where circumstances have changed may reduce or eliminate a prior impairment.

At this time, the Fund cannot quantify the impact of IFRS to its financial condition. Once finalized, the Fund will communicate its conclusions and accounting policy choices on the standards noted above.

The International Accounting Standards Board ("IASB") has several projects slated for completion in 2010 and 2011 that may significantly impact the transition to IFRS and the financial condition of the Fund. The Fund is continuing to monitor and review CICA plans for transition as well as ongoing changes in these IASB projects.

Impact on Information Systems and Technology

The Fund's information systems will be impacted by IFRS through its impact on tracking adjustments to current Canadian GAAP and the change in the process to gather more extensive disclosure information. The Fund's transition to a common ERP system will simplify the process of tracking adjustments and gathering additional

reporting information. The Fund will continue to assess the impact on its information systems during the design and implementation stages of this project.

Impact of IFRS on Reporting and Internal Controls

The Fund's transaction-level controls will not be materially affected by the transition to IFRS. As previously noted, the transition to IFRS most significantly impacts the presentation and disclosure of its financial condition as opposed to an extensive transaction-level impact. The Fund's disclosure controls and procedures and internal controls over financial reporting will require changes to the Fund's reporting process which will be documented and tested for effectiveness as the various IFRS sections are implemented.

Controls and Procedures

Scope Limitation for Internal Controls

As part of the ongoing acquisition integration process, the Fund is in the process of and will complete the certification process for the Groupe Tremca and Pre-Con business units early in 2010. As a result of the timing of these acquisitions, the Chief Executive Officer and Chief Financial Officer have limited the scope of their design of disclosure controls and procedures and their design of internal controls over financial reporting to exclude the controls, policies and procedures of Groupe Tremca and Pre-Con. Further details related to the acquisitions of Groupe Tremca and Pre-Con have been disclosed in Note 20 of the Fund's 2009 audited annual consolidated financial statements.

A combined summary of the financial information for Groupe Tremca and Pre-Con, expressed in thousands of dollars, which was included in the audited annual consolidated financial statements of the Fund as at December 31, 2009, is provided below:

Revenue	\$ 51,862
Net earnings for the year	6,085
Current assets	25,978
Non-current assets	97,835
Current liabilities	10,139
Non-current liabilities	14,004

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, 2009, and 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 year ended December 31, 2009 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.

Proposed Transactions

The Fund currently has no proposed transactions.

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. These risks and uncertainties are largely derived from the Fund's business environment. The management team of the Fund strives to mitigate its exposure to risk through performance planning and effective operational management. Certain exposures are mitigated through appropriate insurance coverage where this is judged to be efficient and commercially viable.

The Fund strives to avoid exposure to undue risk whenever possible and ensure alignment with its business strategies, objectives and values. The following section summarizes the key risks and uncertainties that could affect the Fund's future results going forward:

Risk Controls

The Fund has several components to its risk control process.

Organizational Tone

The Fund's values are articulated throughout the organization. Employees sign agreements outlining their commitment to our code of conduct.

Policies

The Fund maintains a set of policies that has been established to address key risks. These policies establish delegated authorities and limits for business transactions.

Reporting

Management of the Fund regularly reports exposures to decision makers, including the Audit Committee. This reporting includes a summary of the key risks to the business, changes in the assessment of the risks and processes and projects underway to mitigate the risks to the Fund.

Whistleblower System

The Fund has a system in place where employees may report any potential ethical concerns. These concerns are directed to the Chair of the Fund's Audit Committee who has the authority to engage the resources required in determining the appropriate course of action.

Risks Related to the Business and the Industry

Industry Cyclicity

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 relative stability of demand for suppliers such as the Fund. To the extent that these investments decline or these markets experience a downturn, it is likely that a negative impact will be felt by the infrastructure industry and the Fund's financial condition.

Competition

Management believes that the Fund 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 US 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 Fund'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 Fund has been providing structures and concrete products 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 it 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 Fund 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 the Fund's 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 was unable to quantify during due diligence, which it conducted prior to the completion of the acquisition, and the Fund may not be indemnified for some or all of such 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 below in more detail under the heading "Risks Related to the Structure of the Fund – Income Tax Matters", could have an adverse effect on the ability of the Fund to raise further equity or refinance 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.

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 all potential opportunities or repay debt. Please see below under the heading "Risks Related to the Structure of the Fund – Income Tax Matters" for a more detailed discussion of this 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 in the capital markets. 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 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 in Canada such as natural resources, commercial development, residential construction and agricultural drainage. The Fund's 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, inappropriate disclosure and/or leaks of sensitive information.

Credit Risk

The Fund's financial assets that are exposed to credit risk consist primarily of cash, 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 receivable 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 or quality 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 its 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 long-term written agreements with 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 provide 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 which are distributed by the Fund pursuant to distribution arrangements. The Fund will need to take steps to either negotiate the renewal or extension 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.

Availability and Price Volatility of Raw Materials

Raw material supply factors such as allocations, economic cyclicalities, seasonality, pricing, quality, timeliness of delivery, transportation and warehousing costs may affect the raw material sourcing decisions made by the Fund. In the event of significant unanticipated increase in demand for the Fund's products, the Fund may in the future be unable to manufacture certain products in a quantity sufficient to meet customer demand in any particular period without an adequate supply of raw materials.

Various raw materials are used in the products manufactured by the Fund. In particular, the primary raw materials used in the Fund's products are various types and grades of resins and steel as well as 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 material 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 material price increases to its customers.

Product Liability

Defects in product design, manufacture, performance and reliability could result in lost revenue 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, if 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 (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 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 suitable replacement is retained. 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 retain the required people, which 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 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, 1,119 employees at 21 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.

Pension Plans

The Fund has funding obligations for various pension and other post-employment benefit arrangements that are affected by factors outside the Fund's control. The Fund's obligation under such plans is determined annually by independent actuaries using management's assumptions and the attribution method. Assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets include, but are not limited to: discount rates, long-term rates of return for plan assets, rates of future compensation and health care cost trends. The Fund reviews data provided by actuaries when developing assumptions used in the determination of defined benefit pension costs and accrued pension benefit obligations. While management believes that these assumptions are appropriate given current economic conditions, significant differences in results or significant changes in assumptions may materially affect pension plan and post-retirement benefit obligations and related future expenses.

Currency Fluctuations

The Fund is exposed to currency risk primarily of cash, cash equivalents, accounts receivable, 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 US dollar as a portion of the Fund's transactions occur with customers and suppliers in US dollars.

Interest Rates

The Fund's Credit Facilities, a portion of which are not hedged by 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 that are physically damaged or destroyed, or cover 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 death or 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 in the ordinary course of conducting its business 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. 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 such changes cannot be predicted.

Geographical Risk

As a result of recent acquisitions, the Fund has expanded its presence across Canada. It is likely that the economic activity across the country will slow down and due to the nature of Fund's products and the associated freight costs, it is unlikely that a significant national 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 used 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 its 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 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 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 Deferred Income 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 Armtec Infrastructure Income 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 the Fund's 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. 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 certain trusts and partnerships, including publicly traded trusts such as the Fund, and the taxation of distributions and allocations from these entities to their investors. Legislation to implement the proposed changes received Royal Assent on June 22, 2007 and these entities are referred to in the Tax Act as specified investment flow-through ("SIFT") trusts and SIFT partnerships. The legislation applies a tax approximately equal to corporate income tax on certain income (other than taxable dividends) earned by a SIFT trust or a SIFT partnership, and the legislation treats the taxable distributions of such income received by unitholders of a SIFT trust and a SIFT partnership as dividends. The Fund will constitute a SIFT trust and, as a result, the Fund and its unitholders will be subject to legislation relating to SIFT trusts and SIFT partnerships. It should be noted that the SIFT legislation generally does not apply until the 2011 taxation year for trusts and partnerships, the units of which were publicly traded prior to November 1, 2006, such as the Fund. However, the SIFT legislation will apply immediately in any taxation year ending after 2006 if the SIFT trust or a SIFT partnership does not comply with the Normal Growth Guidelines issued by the Department of Finance on December 15, 2006, as subsequently amended, unless the excess growth arose as a result of a prescribed transaction.

There can be no assurance that the Fund or its subsidiary partnerships will be able to retain the benefit of the deferred application of the SIFT legislation until 2011. Loss of the benefit of the deferred application of the SIFT legislation before 2011 could have a material and adverse affect on the value of the units. If the SIFT legislation applies to the Fund or its subsidiary partnerships, the return to unitholders may be adversely affected.

In 2009, the Tax Act was amended by adding provisions to facilitate the conversion of SIFT trusts and SIFT partnerships to corporations without adverse tax consequences to holders of units of such entities and without adverse tax consequences to the SIFT trust and the SIFT partnership. The new provisions generally apply automatically if the requirements of the provisions are met and permit a tax deferred "rollover" of the Fund unit's adjusted cost base for unitholders of SIFT trusts and SIFT partnerships who exchange their units of such entities for shares of a corporation without the need to file any tax elections. However, the "automatic" rollover will not be available after December 31, 2012.

It should be noted that if the Fund does not "convert" to a corporation before January 1, 2011 it will be subject to tax as a SIFT trust as described above. It should also be noted that if the Fund converts to a corporation, the corporation will be subject to corporate income tax. In either event, the amount of cash available for distribution will be affected and this could adversely affect the return to unitholders.

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 much 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 its ability to withstand competitive pressures. These factors may increase the sensitivity of distributable cash to interest rate variations. The Credit Facility contains numerous restrictive covenants that limit the discretion of 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

In May of 2009, the Fund entered into an amended and restated Credit Facility in the aggregate maximum principal amount of \$273.0 million with a syndicate of lenders, which includes The Bank of Nova Scotia, Bank of Montreal, The Toronto-Dominion Bank, Alberta Treasury Branches and National Bank of Canada.

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 March 2011, 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 mature. 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.

The implementation of IFRS will affect the manner in which financial covenants under the Credit Facility are calculated, which may affect the ability of the Fund to comply with such covenants.

Nature of Units

Securities like the Fund's 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 equity or debt in 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 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.