



Income Fund

ANNUAL INFORMATION FORM

Year Ended December 31, 2008

May 28, 2009

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ITEM 1. EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

1.1 Explanatory Notes

In this Annual Information Form, references to the “**Fund**” include Alliance Grain Traders Income Fund and the operating companies owned directly or indirectly by it (sometimes referred to as the “**subsidiaries of the Fund**”) unless the context otherwise requires. Unless otherwise stated in this Annual Information Form, the information contained herein is stated as at December 31, 2008 and all currency references are in Canadian dollars.

1.2 Forward-Looking Information

Included in this Annual Information Form are forward-looking statements (within the meaning of applicable securities laws) with respect to the Fund. Forward-looking statements include but are not limited to those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, and requirements for additional capital. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes” or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Such forward-looking statements or forward looking information reflect management’s beliefs, estimates and opinions regarding the Fund’s future growth, results of operations, performance, and business prospects and opportunities at the time such statements are made and the Fund takes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change. Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Fund’s control. Forward-looking statements are not guarantees of future performance. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents, or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section titled “*Risk Factors*” in this Annual Information Form.

Although the Fund has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Fund expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

1.3 Non-GAAP Earnings Measures

This Annual Information Form and other public disclosure by the Fund, including management’s discussion and analysis of the Fund’s results of operations and cash flows accompanying the Fund’s annual audited financial statements for the year ended December 31, 2008 contain references to the

“EBITDA” of the Fund. EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA is used because the Fund’s net income alone does not give an accurate picture of the Fund’s cash-generating potential. Management believes that EBITDA is an important measure in evaluating the performance of the Fund and in determining whether to invest in the Fund. However, EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by Canadian generally-accepted accounting principles (**“GAAP”**). It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund’s performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

ITEM 2. CORPORATE STRUCTURE

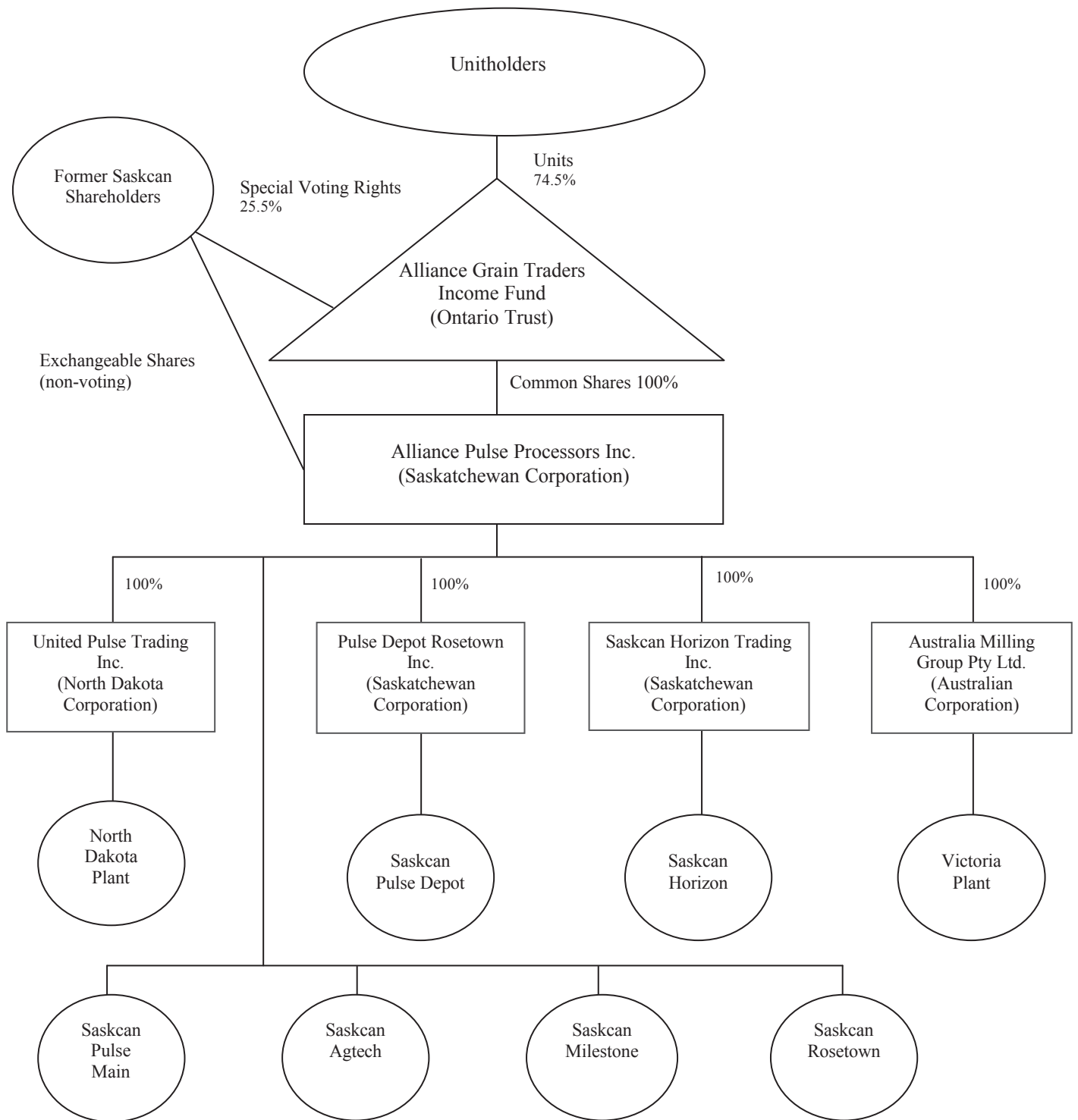
2.1 Name, Address and Incorporation

The Fund is a limited purpose open-ended trust established under the laws of the Province of Ontario by a declaration of trust dated June 25, 2004 (the **“Declaration of Trust”**). The Fund was originally established as “Agtech Income Fund” and changed its name to “Alliance Grain Traders Income Fund” on December 7, 2007.

The registered office of the Fund is located at 66 Wellington Street West, Suite 3600, Toronto, Ontario, M5K 1N6. The management of day-to-day operations of the Fund is carried on from the head office of the Fund’s principal operating company, Alliance Pulse Processors Inc. (**“Alliance”**) at P.O. Box 30029 No. 1 Highway East, South Tower Road, Regina, Saskatchewan S4N 7K9.

2.2 Inter-corporate Relationships

The following chart indicates the structure of the Fund and its material subsidiaries, the percentage of voting securities held, and the jurisdiction of incorporation of each entity.



2.3 Description of the Fund

Purpose and Key Assets

The purpose of the Fund is to hold the voting securities of Alliance, to derive income from the operations of Alliance and its subsidiaries, and to distribute such income to the holders (“**Unitholders**”) of units of the Fund (“**Units**”). The Fund’s only material assets are all of the issued and outstanding common shares of Alliance, and a consolidated interest-bearing promissory note issued by Alliance to the Fund (the “**Alliance Note**”). The Fund’s income consists entirely of interest paid by Alliance under the Alliance Note (See “*Distributions*” below).

Declaration of Trust

The Fund is a limited purpose open-ended trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The following is a summary of certain provisions of the Declaration of Trust, which does not purport to be complete. A complete copy of the Declaration of Trust is available under the Fund’s profile on the System for Electronic Data Analysis and Retrieval (“**SEDAR**”) at www.sedar.com.

Activities of the Fund

The Declaration of Trust provides that the Fund is restricted to acquiring, investing in, holding, transferring, disposing of, and otherwise dealing with securities of Alliance, its affiliates, or other persons involved in the business of processing and/or distributing lentils or other special crops or in a related business, including, without limitation, the shares of Alliance, the Alliance Note and other securities issued by Alliance, and borrowing funds for that purpose, as well as to performing certain administrative functions. The Declaration of Trust also permits the Fund to:

- (a) invest in certain permitted investments such as government-issued or government-guaranteed debt, debt instruments or deposits rated at least A-1 or the equivalent by Standard & Poor’s Corporation, Moody’s Investors Service Inc., or Dominion Bond Rating Service Limited, and short-term (i.e. maturing within 180 days) commercial paper rated at least A-1 or the equivalent by Dominion Bond Rating Service Limited;
- (b) temporarily hold cash in interest-bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units and making distributions to Unitholders;
- (c) issue debt securities or otherwise borrow and mortgage, pledge, charge, grant a security interest in or otherwise encumbering any of the Fund’s assets as security for its obligations, liabilities or indebtedness;
- (d) guarantee (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of Alliance or any affiliate of the Fund or Alliance or the performance of any obligation of Alliance or any affiliate of the Fund or Alliance, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Fund’s assets, including securities issued by Alliance or any affiliate of the Fund, as the case may be, as security for such guarantee, and to subordinate its rights under the Alliance Note to other indebtedness;

- (e) dispose of any part of the Fund's assets; and
- (f) undertake such other activities, or taking such actions, including investing in securities as shall be approved by the Trustees from time to time, and to pay the costs, fees and expenses associated therewith or incidental thereto.

Mutual Fund Trust

The Fund is not permitted to undertake or continue any activity, take or continue any action, or make or retain any investment which would result in the Fund not being considered a "mutual fund trust" for the purposes of the Income Tax Act (the "**Tax Act**").

ITEM 3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Conversion to Income Trust and Acquisition of Agtech

The Fund was originally created for the purpose of converting Agtech Processors Inc. ("**Agtech**"), at that time one of Canada's largest buyers, processors and exporters of green lentils, into an income trust.

The Fund was established on June 26, 2004 by the Declaration of Trust. On March 17, 2005, the Fund sold 1,000,000 Units under its initial public offering. In connection with the offering the Fund also granted to its offering agent, Fraser Mackenzie Limited, 100,000 options, each option being exercisable for one Unit at a price of \$5.00 per Unit until March 22, 2007.

The income trust conversion was completed on March 22, 2005 when the Fund acquired all of the issued and outstanding voting securities of Agtech. Agtech's founder and Chief Executive Officer, Stephen R. Bodnoff, who was also the promoter of the Fund, became the Chair of the Board of Trustees of the Fund.

At the time of the acquisition, Agtech owned one processing plant in Regina, Saskatchewan and focused its business on the purchase, processing and export of green lentils, with a secondary business of buying, processing and exporting canary seed.

Acquisition of Saskcan

Beginning with the acquisition of Saskcan Pulse Trading Inc. ("**Saskcan**") on August 1, 2007, the Fund has made additional acquisitions of assets and other companies which have significantly increased the assets owned and operations conducted through Alliance. The acquisition of Saskcan is described under "*Significant Acquisitions*", below. The Fund filed a Business Acquisition Report on Form 51-102F4 in respect of the acquisition of Saskcan, which is available under the Fund's profile on SEDAR. Business Acquisition Reports were not filed for the other acquisitions as they were not considered "significant acquisitions" for the purposes of the relevant securities laws. The other acquisitions are described below.

At the time of the acquisition, Saskcan owned three pulse and special crops processing plants in Saskatchewan (of which one was owned indirectly through Saskcan's 55% interest in Saskcan Horizon Trading Inc.) and one processing plant in North Dakota (through United Pulse Trading Inc.), and focused its business on buying, processing, splitting and exporting red and green lentils, chickpeas and peas.

In August 2007, Murad Al-Katib was appointed by the Fund's Board of Trustees as a Trustee and assumed the role of President and CEO of the Fund's operating company Alliance.

Acquisition of Australia Milling Group

On October 3, 2007 the Fund, acting through Alliance, acquired the assets of Harvest Grain Australia in the city of Horsham in Victoria State. The Fund incorporated a new operating company under Alliance, Australia Milling Group Pty. Ltd. ("**Australia Milling Group**") to hold and operate the newly-acquired assets. The purchase price was A\$2,550,000 (approximately \$2,200,000). The purchase was funded through the conclusion of a \$2,500,000 million credit facility to the Fund's operating company Alliance by Farm Credit Canada ("**FCC**").

Name Change

The Fund changed its name to "Alliance Grain Traders Income Fund" effective December 7, 2007.

Fire at North Dakota Plant

On December 8, 2007, a fire occurred at United Pulse Trading Inc.'s facility resulting in total loss and subsequent replacement of certain equipment and the shutting down of the plant. United Pulse Trading Inc. is a subsidiary of Alliance. Proper insurance was in place to cover all repairs and replacement as well as business interruption. This gain was recognized during the year when the final insurance settlement was completed. Regular plant operations re-commenced in February 2008.

Change of Senior Management

On January 31, 2008, Stephen R. Bodnoff resigned as Chair of the Board of Trustees of the Fund and from his positions as director and officer of Alliance, and was succeeded by Murad Al-Katib. Huseyin Arslan, a founding shareholder of Saskcan, joined the Board of Trustees.

Acquisition of Pulse Depot

On August 1, 2008, the Fund, acting through Alliance, purchased all of the outstanding shares of Pulse Depot Rosetown Inc. ("**Pulse Depot**"). Pulse Depot is a leading pulse and special crops processor located in Rosetown, Saskatchewan. Alliance acquired direct and indirect ownership of all of the issued and outstanding shares of Pulse Depot for \$9,409,000 (after adjustments for current assets, inventory, pre-paid expenses, accounts receivable, cash on hand, accounts payable and long-term debt of Pulse Depot determined at closing), of which a part was paid by the issuance of 55,000 Units issued at a deemed value of \$13.00 per Unit and the assumption of certain debts of Pulse Depot and the balance was paid in cash. The transaction was negotiated at arm's length.

Tradewind Commodities Asset Purchase

On August 1, 2008, the Fund, acting through Alliance, purchased the assets of Tradewind Commodities Ltd., a leading pulse and special crops processor located in Milestone, Saskatchewan, approximately 60 km south of Regina, for a purchase price of \$2,900,000.

Acquisition of Saskcan Horizon

On October 1, 2008, the Fund purchased the remaining 45% of the issued and outstanding shares of Saskcan Horizon Trading Inc. ("**Saskcan Horizon**"), a pulse and special crops processor located in Aberdeen, Saskatchewan. Alliance already owned 55% of Saskcan Horizon. The purchase price for the

acquisition was \$1,400,000, of which \$359,996 was paid by the issuance of Units at \$13.31 per Unit and the balance was paid in cash. As a result of the transaction Saskcan Horizon became a wholly-owned subsidiary of Alliance.

Private Placements

On July 31, 2007, in connection with the acquisition of Saskcan, the Fund completed a private placement of 2,592,592 Units at \$5.40 per Unit for gross proceeds of \$14,000,000. In connection with the private placement, the Fund granted to its agents for the private placement 163,664 compensation options, each such option being exercisable for one Unit at a price of \$5.40 per Unit until August 2, 2009.

On July 16, 2008, the Fund completed a private placement of 970,000 Units at \$15.50 per Unit for gross proceeds of \$15,035,000.

Credit Facilities

On February 14, 2008, Alliance concluded a credit facility with the Bank of Nova Scotia for an operating line of credit of up to \$25 million. The credit facility is guaranteed by the Fund, and as additional security the Bank of Nova Scotia holds a general security agreement over all present and after acquired property of Alliance and the Fund. On August 6, 2008, this facility was increased to \$50 million. This facility is secured by a general security interest over all present and after-acquired property of the Fund. The Bank of Nova Scotia has also extended additional letter of credit facilities in the amount of \$31.7 million to back the Fund's license with the Canadian Grain Commission ("CGC"), foreign exchange forward contract hedging facilities and lease credit lines.

On September 24, 2008, the Fund also finalized an agreement with FCC that provides debt financing of up to \$20,000,000 (\$12,000,000 as a revolving loan and a further \$8,000,000 as a term loan). This new facility replaced an earlier \$7,000,000 revolving loan facility between Alliance and FCC.

3.2 Significant Acquisitions

Agtech

On March 22, 2005, the Fund acquired all of the issued and outstanding voting shares of Agtech. As part of the acquisition, Agtech's share capital was reorganized, so that immediately before the acquisition there were issued and outstanding 1,000,000 common shares and 1,000,000 exchangeable shares of Agtech. All of the common shares were acquired by the Fund for \$4,600,000, while all of the exchangeable shares continue to be held by the former shareholders of Agtech. The exchangeable shares were non-voting and exchangeable for Units on a one-for-one basis, provided that only one-third of the exchangeable shares could be exchanged in any given year and then only in years in which Agtech's EBITDA (less the bonus payable to management) was at least \$1,000,000. The exchangeable shares of Agtech were all exchanged for a total of 1,000,000 Units during 2006, 2007 and 2008.

Details of the acquisition are described in the prospectus of the Fund (then known as the "Agtech Income Fund") dated December 30, 2004, and in subsequent filings by the Fund under its profile on SEDAR.

Saskcan

On August 1, 2007, the Fund acquired all of the issued and outstanding voting shares of Saskcan, a global food processor based in Saskatchewan. Immediately following the acquisition, the Fund

amalgamated Saskcan with Agtech to form Alliance. Murad Al-Katib, the Chief Executive Officer of Saskcan, became the Chief Executive Officer of Alliance.

The consideration for the acquisition of Saskcan consisted of \$9,200,000, which was paid by the issuance of Units or Unit equivalents at a deemed issue price of \$5.40 per Unit or Unit equivalent. 170,370 Units (increased to 225,926 once certain performance targets were achieved on September 29, 2008) were issued directly by the Fund to the shareholders of Saskcan. 1,533,334 exchangeable shares of Alliance (increased to 2,033,334 once certain performance targets were achieved on September 29, 2008) were also issued to the shareholders of Saskcan (the “**Exchangeable Shares**”). Each Exchangeable Share entitles its holder to acquire one Unit through a put-call arrangement with a wholly-owned subsidiary of the Fund. The rights, privileges and restrictions attaching to the Exchangeable Shares are described under “*Description of the Capital Structure- Capital Structure of Alliance*”, below.

In connection with the acquisition of Saskcan, on August 2, 2007 the Fund also completed a private placement of Units as described under “*Three Year History - Private Placements*”, above. The net proceeds of the private placement were used to repay the existing debts of Saskcan after the acquisition and to pay for Saskcan’s acquisition of a processing plant at Williston, North Dakota. The Fund incorporated a new operating company under Alliance, United Pulse Trading Inc. (“**United Pulse**”), to hold the newly-acquired assets.

ITEM 4. DESCRIPTION OF THE BUSINESS

4.1 General

The purpose of the Fund is to earn income from the operations of Alliance and to distribute such income to its Unitholders. Alliance, directly and through its subsidiaries, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. Alliance and its subsidiaries in Canada, the United States of America (the “**U.S.**”) and Australia handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. Alliance’s operations currently focus on value added splitting of lentils and peas. It is among the world’s largest splitter of pulses. Alliance views itself as a food processor as opposed to being simply a handler. Through a number of initiatives, including acquisition, Alliance has broadened its scope in terms of diversifying products, markets and global origin.

Alliance owns six processing plants in Canada, one in the U.S. (owned through United Pulse) and one in Australia (owned through Australia Milling Group). Canadian operating divisions include Saskcan Pulse Trading, Saskcan Rosetown, Saskcan Agtech, Saskcan Milestone (all owned through Alliance), Saskcan Horizon (owned through Saskcan Horizon) and Saskcan Pulse Depot (owned through Pulse Depot).

Products and Markets

Alliance’s product line currently consists of lentils, peas, chickpeas, beans and canary seed, all of which are classified as “pulses and specialty crops” by Agriculture and Agri-Foods Canada, with a focus on lentils and peas. All of Alliance’s revenues are derived from sales of such product.

Alliance purchases crops from local producers in the areas where it has processing plants, in Western Canada, Montana, North Dakota and Australia. A portion of the crop purchases are made through production contracts, which fix a price at which Alliance may purchase crops from a producer, and may include an option to buy additional crops at market price. This production contract system assists Alliance in mitigating price and supply risk on forward sales. Approximately 10% of Alliance’s total supply is purchased through production contracts, and the rest is purchased in the spot market,

thereby allowing Alliance to mitigate commodity risk through back-to-back grower purchases and sales to international clients. Alliance's roster of suppliers is fairly diversified and no one supplier accounts for more than 1% of purchases.

Pulse crop industry trends

Pulse crop overview

Of the 1,800 species in the legume family, pulse crops include peas, beans, lentils, and chickpeas, which produce edible seeds, called pulses. The term "pulse" actually comes from the Latin word "puls" or "pultis", which translates to "thick soup". An important part of dietary requirements, particularly in developing countries, pulses represent about 10% of the world's protein supply requirements. In terms of 2006/07 world production, beans topped the list at 18.5 million metric tonnes ("MT"), followed by peas (9.8 million MT) and then chickpeas (8.7 million MT).

Pulse crop production

With regard to regional production, beans are grown throughout the world; dry peas in Canada, U.S., Russia, the EU and China; chickpeas mostly in India, Turkey and Pakistan; and, lentils in Canada, India, Turkey, U.S. and Australia. The chart below sets out the top five producing countries per crop in 2006/07, the last year for which data is available. In Canada, the pulse industry is centered in Saskatchewan, as it produces about 99% of the lentil crop, 80% of peas, and 88% of chickpeas, representing an aggregate share of 97%. The Canadian pulse industry was valued at above \$2 billion in 2008.

World pulse production (thousands of MT) 2006/07

Dry pea production		Lentil production		Dry Bean production		Chickpea production	
Canada	2,520	Canada	1,278	Brazil	3,000	India	5,700
Russia	1,158	India	1,000	India	2,800	Turkey	610
China	1,140	Turkey	560	China	1,950	Pakistan	400
France	1,040	U.S.	234	Myanmar	1,550	Australia	304
India	800	Australia	210	Mexico	1,250	Iran	280
Total	9,818	Total	4,169	Total	18,471	Total	8,650

Source: Agriculture and Agri-Food Canada

Turning to worldwide demand, pulses are heavily consumed in emerging markets, where meat protein is consumed less. According to the most recent statistics, India and Bangladesh were the two largest importers of pulses. There are several factors exerting upward pressure on the global demand for pulses. World population growth is adding between 80-100 million people per year, mostly in Asia, Africa and Latin America. As these countries are major consumers of vegetable proteins, they have strongly contributed to the overall demand for pulse crops. Second, the global demand for renewable fuels (i.e., ethanol) is playing a factor, as prices for corn have increased sharply over the last two years, forcing consumers to substitute other crops, including pulses. Pulses supply is enhanced by the fact that farmers rotationally plant nitrogen fixing pulses after they plant wheat, corn or canola for renewable fuels crops. The pulses naturally "fix" nitrogen into the soil, which allows farmers to once more plant the other crops in the next rotation.

World imports (thousands of MT) 2005

Dry pea imports		Lentil imports		Dry Bean imports		Chickpea imports	
Spain	1,031	Bangladesh	147	India	304	India	282
India	810	Algeria	88	USA	147	Bangladesh	100
Belgium	389	Sri Lanka	81	Cuba	133	Pakistan	90
China	262	Egypt	79	U.K.	115	Spain	56
Netherlands	203	Colombia	66	Mexico	79	Algeria	47
Total	4,060	Total	1,402	Total	2,442	Total	869

Source: Food and Agriculture Organization of the United Nations

As it relates to developed countries, health conscious diets have been increasing in popularity. The table below illustrates that pulses are high in nutrition, low in fat, low in sodium, cholesterol free, high in protein and a source of dietary fibre. Also, flour made from pulses is gluten free.

Nutritional comparison

(per 100g serving)	Chickpeas	Lentils	Dry Beans	Dry Peas	Wheat	Barley	Beef	Pork	Chicken
Calories	364	357	341	128	342	352	251	376	215
Total Fat	6.04	1.07	1.53	0.68	1.71	1.16	19.24	35.07	15.05
Saturated Fat	0.63	0.16	0.25	0.12	0.28	0.24	7.80	12.44	4.31
Cholesterol	0 mg	0 mg	0 mg	0 mg	0 mg	0 mg	67 mg	74 mg	75 mg
Total Carbohydrate	60.65	6.07	58.32	28.26	75.90	77.72	0 g	0 g	0 g
Protein	19.30	26.07	26.13	8.80	11.31	9.91	18.24	13.91	18.60
Calcium	105 mg	57 mg	104 mg	36 mg	32 mg	29 mg	7.0 mg	19 mg	11 mg
Iron	6.24 mg	7.62 mg	6.70 mg	2.26 mg	4.56 mg	2.50 mg	1.85 mg	0.69 mg	0.90 mg

Source: acaloriecounter.com

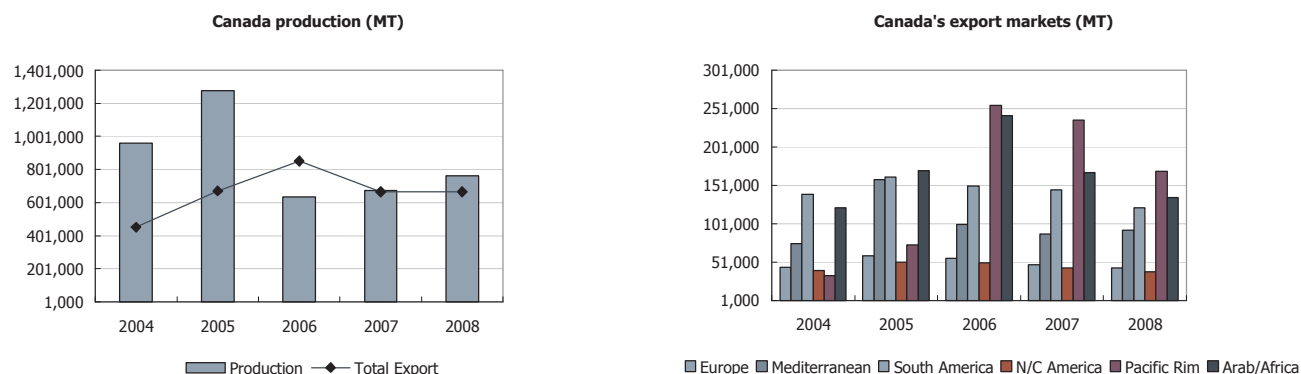
Approximately 85% of Alliance's revenues are derived from the lentil and pea markets globally. The following discussions will be limited to those commodities.

The Lentil Market

Canada, led by Saskatchewan, has emerged as a major source of the world's lentil supplies. In fact, over the last few years, Canada has provided slightly below one-third of the total global supply. In the 2006/07 crop year, Canada provided over 1.1 million MT of lentils, of which 76% was exported. Of that total exported, 700,000 MT were produced in that crop year, with the remainder coming from carry-in stocks from the previous crop year. For the 2008 export year, Statistics Canada reported exports from Canada from August 2008 to February 2009 of 598,655 MT, well ahead of last year's pace.

As a percentage of the total supply, the export volume was forecasted by the Agriculture and Agri-Food Canada ("AAFC") to increase to 81% for each of the 2007/08 and 2008/09 crop years (the actual results for those years are not yet available). In terms of global destinations, the majority of Canada's lentils are exported to countries in the Pacific Rim and Middle East/North Africa regions. Over the last five years, over 600,000 MT of lentils were exported, on average, per annum. The last few years have seen the export figures rise with production, as shown in the table below, with forecasts that base exports would keep consistent between 800,000 MT to 1 million MT per annum. With the global population growing, especially in developing countries, management does not expect Canada's lentil exports to decline.

Canadian lentil production and export markets (MT)



Source: Saskatchewan Pulse Growers, Agriculture and Agri-Food Canada (AAFC)

At the moment, Canadian lentil stocks are forecasted to remain somewhat tight at current levels over the next couple of seasons. With the average price per tonne anticipated to rise in the near term, lentil seeded acreage is expected to remain high as farmers rotate into higher value crops. AAFC forecasted prices of \$600-630 per tonne in 2007/08, increasing to \$605-635 per tonne in 2008/09, on lower global supply. This represents significant growth from the 2006/07 price of \$310 per tonne. As a leading indicator of higher future pricing, the stock/use ratio was forecasted to decline from 14% in 2006, to 5% and 6% in 2007 and 2008, respectively.

Statistics Canada seeding intentions for the 2009/10 crop year show a significant acreage increase from 1.6 million acres in 2008 to 1.97 million acres in 2009. Additionally, due to drought and less land being seeded for pulse, Turkey and India could have smaller red lentil and chickpea crops this year, presenting the opportunity for increased Canadian, U.S. and Australian exports to the Middle East and North Africa.

Canadian Lentil Supply-Demand Estimates (acres, MT)					
Year	2005	2006	2007	2008	2009
Acreage Seeded	2,184,000	1,285,770	1,335,000	1,610,000	1,970,000
Yield per acre (lbs)	1,290	1,088	1,237	1,259	1,195
Available Stocks					
Production	1,277,900	634,500	748,900	919,500	1,068,000
Carry-In from prior year	275,000	555,000	199,000	46,000	46,000
Imports	<u>2,904</u>	<u>5,273</u>	<u>4,697</u>	<u>4,200</u>	<u>4,200</u>
Total Starting Stocks	1,555,804	1,194,773	952,597	969,700	1,118,200
Exports					
Europe	58,826	55,342	59,994	35,800	50,400
Mediterranean	157,904	100,309	118,208	239,100	137,300
South America	161,526	149,986	161,193	85,700	132,300
North / Central America	50,437	49,514	47,245	56,700	51,200
Pacific Rim	73,319	255,267	186,732	148,500	196,800
Arab/Africa	<u>169,866</u>	<u>241,494</u>	<u>236,959</u>	<u>253,300</u>	<u>243,900</u>
Total Exports	671,878	851,913	810,331	819,100	811,900
Other Usage					
Seed	40,700	44,100	53,500	66,300	70,400
Other Domestic Use	<u>288,225</u>	<u>99,761</u>	<u>42,766</u>	<u>38,300</u>	<u>50,900</u>
Total Usage	1,000,803	995,773	906,597	923,700	933,200
Ending Stocks	555,000	199,000	46,000	46,000	185,000
Stock/Use	55.5%	20.0%	5.1%	5.0%	19.8%

Source: Forecasts by STAT Market Research based on data from Statistics Canada.

The Dry Pea Market

Canada is the leading producer of dry peas in the world, with a 55% share of the export market in 2007. A cool season crop, production is heavily weighted in Saskatchewan, which produced 80% of the country's 2007/08 total. Over the past ten years, production has shifted in Canada as a diversification out of traditional grains.

Of the locally consumed dry peas (25% of total production), the majority goes to livestock feed. The remaining 75% is exported, largely to Asia. Today, the largest importers include India, Spain, China, and Bangladesh. Canada is the largest exporter to India, accounting for 60% of its total imports, while representing 80% of Spain's dry pea imports.

Canadian Field Pea Supply-Demand Estimates (acres, MT)					
Year	2005	2006	2007	2008	2009
Acreage	3,375,000	3,115,515	3,636,000	3,995,000	4,205,000
Yield (lbs)	2,025	1,783	1,781	1,971	1,951
Available Stocks					
Production	3,099,800	2,519,900	2,937,500	3,571,300	3,721,000
Carry In	595,000	440,000	205,000	255,000	650,000
Imports	53,139	29,680	32,915	20,200	20,400
Total Starting Stocks	3,747,939	2,989,580	3,175,416	3,846,500	4,391,400
Exports					
Europe	889,350	309,763	200,271	120,000	447,000
South America	71,371	85,736	76,374	66,000	77,000
N/C America	114,508	80,183	155,267	185,000	140,000
Pacific Rim	1,351,296	1,374,837	1,637,097	1,901,000	1,883,000
Arab/Africa	143,529	138,882	129,713	70,000	113,000
Total Exports	2,570,055	1,989,401	2,198,723	2,342,000	2,660,000
Other Usage					
Seed	219,044	255,638	280,879	295,600	257,000
Feed & Waste	444,240	464,841	365,814	483,900	624,400
Domestic Use	74,600	74,700	75,000	75,000	75,000
Total Usage	3,307,939	2,784,579	2,920,415	3,196,500	3,616,400
Ending Stocks	440,000	205,000	255,000	650,000	775,000
Stocks/Use	13.3 %	7.4 %	8.7 %	20.3 %	21.4 %

Source: Forecasts by STAT Market Research based on data from Statistics Canada.

Foreign Operations

Alliance is an exporter with over 95% of its sales destined to buyers outside of Canada and the U.S. The following table sets out the location of Alliance's principal markets and Alliance's sales of pulses and specialty crops in such markets for the two most recently completed financial years.

Area	2008	2007
Americas/Caribbean	\$ 60,076,049	\$ 28,254,042
Asia/Pacific Rim	\$ 63,652,601	\$ 25,808,208
Europe/Middle East/North Africa	\$204,943,642	\$ 25,074,362
Total	\$328,672,293	\$ 79,074,612

Alliance has assets located outside of Canada, in the U.S. and Australia. Aside from sales, however, Alliance does not rely on foreign operations to a material extent. The following table sets out the assets of the Fund and its subsidiaries by geographical location for the two most recently completed financial years.

Area	2008	2007
Americas/Caribbean	\$ 43,350,221	\$ 22,291,611
Pacific Rim	\$ 5,033,646	\$ 2,361,961
Total	\$ 48,383,867	\$ 24,653,572

Alliance enters into sales denominated in U.S. currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. Alliance has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in U.S. dollars.

Alliance minimizes the risks involved with the export of goods to foreign countries by selling with internationally accepted documentary letters of credit, documentary collections and receivables insurance through Export Development Canada (“EDC”). Nonetheless, there is a residual risk that goods may be repudiated by a foreign buyer who may refuse delivery of the product after it has been shipped but before it has been paid for in full. This could lead to residual costs to the Fund affecting its profitability. Risk management programs are in place to minimize these risks of the international marketplace.

Sales and Distribution

Virtually all of Alliance’s product is sold directly to importers, canners, packaging companies, wholesalers and distributors located around the world. Sales are made directly to Alliance’s customer base and where appropriate, pulse brokers, (usually located in the country of destination) are utilized to assist in managing the execution of export sales contracts. Brokers’ commissions are typically 1% of the sale price.

As Alliance is a direct exporter, it purchases the product and undertakes to export it to other countries. Thus, Alliance bears the risks involved with the export of goods to foreign countries. Alliance runs a stringent risk management program and uses currency hedging and trade finance instruments for risk management.

Approximately 98% of the product is exported directly to clients in other countries. Alliance arranges all sales so that the buyer takes title to the goods only after Alliance has received payment confirmation. This may be done by prepayment in full before shipment, by taking an advance payment of up to 50% with the balance paid against delivery of the title documents, or by a letter of credit drawn on a Canadian bank. To protect against the risk of loss in shipment, Alliance obtains freight insurance for all shipments, domestic or foreign, in an amount equal to the sale price. In the unlikely event that product is shipped but the buyer refuses to take delivery, Alliance is free to keep any deposit and sell the product to another buyer. Alliance’s deep customer contacts and diversified markets allow it to have a “ready” market to deal with any resales, repudiations or problems. However, due to the presence of secure payment methods and advance payments, client repudiation is rare and is not anticipated to constitute a material risk of loss in the future.

The vast majority of Alliance’s sales are made through “spot” contracts for immediate shipment, but in rare cases sales are made through long-term commitments for shipment up to one year in the future. Long-term contracts are rare because the market price of pulses and specialty crops constantly fluctuates and parties are reluctant to lock in a price too far in advance.

Alliance’s roster of buyers is fairly diversified and generally no one buyer accounts for more than 10% of purchases.

Where Alliance has to arrange for shipping, it enjoys several advantages. All Alliance plants are located within 90 km of container yards and six of its eight plants are accessible to rail with Canadian Pacific Railways, Canadian National Railways and Burlington Northern Santa Fe Railways. Alliance also owns two container storage sites, one each in Saskatoon and Regina and operates its own container lifts, trucks and container chassis for distribution of ocean containers to its factories. Alliance has direct steamship line relationships and is among the largest agri-products container shippers in Canada. Plants are situated on the major highways and all-weather roads, which offers an advantage over smaller competitors that may be located off secondary or grid roads. Increasingly, Alliance's method of shipping the finished product is by inter-modal service, where empty semi-trailers (i.e. containers) are loaded at the plant and taken by trailer to the railway for shipping by rail cars. Goods are generally shipped cost and freight destination ("CFR") with Alliance taking all responsibility for delivering the products to the export destination. Alliance also has agreements with transloading facilities in Montreal, Vancouver, Seattle, Tacoma, Mobile, Houston, Norfolk and Melbourne, Australia to facilitate the final containerization of its products for export.

Alliance runs its own in-house freight and logistics management team and has a team of specialists in export documentation and logistics. Alliance also utilizes third party logistics providers for a portion of its transport needs.

Steamship line agreements are for fixed rates for three to six month windows for export destinations to allow the costs of freight to be borne by the buyer of the cargo. Alliance also utilizes cargo insurance for all sales made on the cost, insurance and freight incoterm (an incoterm is a standardized international trade term defined by the International Chamber of Commerce) and uses contingent cargo insurance to insure the cargo, in case the buyer has not taken out the appropriate insurance as per Alliance's export contract.

Related Party Transactions

Generally, all sales are made to customers dealing at arm's length to Alliance, except as set out in the following table:

	2008	2007
Sales of grain to corporations whose shareholders are also Fund Unitholders	\$ 52,059,248	\$ 332,225
Accounts receivable from corporations whose shareholders are also Fund Unitholders	\$ 24,645,061	\$ 1,545,240

These transactions were carried out in the normal course of business and were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All related party transactions were undertaken as they were commercially advantageous to Alliance's profitability. Alliance is not reliant on related parties and Alliance's management is confident in its ability to replace these sales in future years with other commercial activities.

Competitive Conditions

There are many processing plants located throughout the pulses growing regions of Canada, the U.S. and Australia. Alliance has competitors located throughout Saskatchewan in each of its product segments but Alliance does not have a single competitor who processes and exports the full range of pulse products to global destinations as Alliance does.

Alliance's competitors in all product segments are all private companies operating processing plants. Most of the competitors are smaller regional players who tend to handle a multitude of specialty crops with one or two products as their primary product. In lentils, the market in Canada is dominated by family companies such as, Walker Seeds, Simpson Seeds, Prairie Pulse and JK International as well as a full array of small trading houses.

Competitiveness in the industry hinges on who can most economically source, process and deliver product to the marketplace. This has been Alliance's key competitive advantage with its multi-plant processing and origination strategy and large volume program. Alliance has captured economies of scale on the processing and freight side that give it a significant advantage over its competitors.

In addition to small local competition throughout Canada, the U.S. and Australia, there is also international competition. In Turkey, there are two or three large pulse exporters predominantly focused on lentils. One of these competitors, Arbel Pulse and Grain Industry SA, is closely associated with Alliance as its owners are the largest shareholders of Alliance. In Australia, JK Milling is a large bulk shipper of pulses predominantly focused on peas, desi chickpeas and faba beans. Viterra is the largest bulk shipper of peas in North America. There are also local splitting plants in Sri Lanka, India, Turkey and Syria that serve as limited competition. There is no fully integrated value-added processor in all the product segments that Alliance is in.

With the acquisition of Saskcan in August 2007 and subsequent acquisitions of U.S. and Australian assets, the Fund has broadly expanded Alliance's global reach, client base and product mix. Offering a full range of split and value-added lentils, peas and chickpeas puts Alliance in a position of strength among its competitors globally.

The continued strong demand from the Indian sub-continent and the Middle East and Latin America for pulse crops support management's view that the Fund will maintain its current revenues and earnings through 2009. The U.S. and Australian acquisitions and increased capacity utilization of Canadian assets are expected to boost the tonnage shipped and allow Alliance to capitalize on 2008 crop stocks and a forecast of a larger 2009 crop.

Unexpected drought conditions in Turkey, Australia and Syria have created a global shortage of lentils, turning these regions from competitors to customers for 2008-2009. New crops in this region will arrive only after June 2009 and the forecasts are that these competing origins will return only to average production meaning that their produced stocks will be consumed in their local markets. Alliance is not expecting heightened competition from other origins in 2009. Extra demand and the absence of regional competition in the Middle East will allow Alliance to benefit from an opportunity to ship more products to these regions at continued strong margins.

The Australian crop in 2008 was affected by yet another drought, limiting supplies to levels similar to those seen in the 2007 drought. In 2009, supplies are forecast to remain tight with drought conditions continuing. To combat the effects of limited crop stocks, Alliance is adding pulses splitting and processing equipment to its Australia factory to allow its operations to capture higher margins. This will assist in ensuring that Alliance remains profitable.

Seasonality

All of the Alliance's supply of raw materials comes from suppliers in Saskatchewan, Alberta, Manitoba, Montana, North Dakota and Australia where crops are harvested once a year. While sales and purchases are fairly evenly spread out during the Fund's fiscal year, they do tend to be slightly higher in the last half of the fiscal year (July 1 to December 31). With geographic diversity of markets achieved

through the Saskcan acquisition (Alliance and its subsidiaries export to over 85 countries actively), seasonality is not a major consideration.

With the advancement of Ramadan by 10 days every year (this year early September), purchasing demand in the Islamic world has shifted from September/October to the summer months as purchasers arrange for shipments to be received before the fasting month begins. This shift in exports will assist Alliance in its efforts to achieve consistent revenues and profits each quarter. This effect is further complemented by the opposite seasonal demand of the South American markets (whose peak winter demand is in February to July) and the Mediterranean/ Indian sub-continent/Middle East (whose peak demand is in July to January).

Regulations

The CGC is the public monopoly marketing board for grains. Although the CGC does not market pulses, it does regulate some aspects of the pulse business. A Grain Dealer's Licence from the CGC is required to purchase pulse crops, including lentils, directly from producers. Licence holders are subject to rigorous bonding requirements of at least \$150,000 and spot audits. Alliance is a fully licensed and bonded grain dealer, and is currently in good standing. As required by CGC rules, Alliance has posted a performance bond of \$17.5 million with the CGC. The licence enables Alliance to negotiate purchase terms directly with producers and thus obtain, or offer, better terms.

No export licence is required to export lentils. There are no other regulatory considerations specific to the export of pulses and specialty crops.

Employees

As at December 31, 2008, Alliance had 284 employees worldwide.

Intangible Properties

Alliance has applied to the Canadian Intellectual Property Office to register as trademarks the brand names and brand marks used by it, its operating divisions and subsidiaries in its business to protect them from unauthorized use ("Alliance Pulse Processors", "United Pulse Trading", "Saskcan", "Agtech", "Alliance", "Saskcan Pulse Trading" and design, "Bull's Head" design and "Saskcan Disc" design). Except for the protection of brand names and brand marks, intellectual property is not material to Alliance's business.

Alliance has also been awarded the worldwide commercialization rights until 2018 for three new varieties of pulse developed at the University of Saskatchewan by the Saskatchewan Pulse Growers, an industry organization representing over 18,000 pulse crop growers in Saskatchewan ("SPG"). These include the King Red lentil variety (a bold red lentil grown in Western Canada), the Queen Green Lentil (a green cotyledon lentil) and large Food Type Faba Bean. Alliance also signed an agreement in March 2009 with Terramax Grains of Saskatchewan to develop two proprietary varieties of Navy Beans, the Skyline (a 92 days maturing Navy Bean for Saskatchewan) and the Octane (a variety for Manitoba and North Dakota).

4.2 Risk Factors

The Fund's only material assets are 100% of the issued and outstanding voting securities of Alliance and the Alliance Note. The Fund's ability to make distributions of cash to its Unitholders depends entirely on the success of Alliance's business. Alliance is a buyer, processor and exporter of a range of pulses and special crops, and is exposed to a number of risks and uncertainties that are common

to other companies in the same business. The following is a summary of the risks specific to Alliance's business and its industry.

Risks Related to the Business of Alliance

Volume Risk

Weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the harvest of the crops processed and sold by Alliance. Significant increases or decreases in the total harvest will impact Alliance's sales and the gross profits realized on sales of its product and, consequently, the results of its operations. A good harvest usually results in lower prices for product (due to high supply relative to demand), but higher volume of sales. A poor harvest usually results in higher prices for product (due to low supply relative to demand) but lower volume of sales. The use of splitting and colour sorting equipment allows Alliance to extract the maximum of highest-priced product from the available crop in poor harvest years where the crop is of a type amenable to the use of such equipment (e.g. lentils). Nonetheless, there can be no assurance that such factors would fully offset a significant decrease in volume and quality caused by a poor harvest, or the drop in price caused by a glut in production. The Fund achieves some risk mitigation by having its plants spread out geographically in North America and by sourcing product for Australia from local production in Australia.

Wholesale Price Volatility

The pulse and special crops processing industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale prices of crops caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and global demand), taxes, government programs and policies for the farming and transportation industries (including price controls), and other market conditions, all of which are factors beyond Alliance's control. The world market for pulses and special crops is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

In the event of a sudden and sharp increase in the wholesale price of pulses and special crops, in order to stay competitive, Alliance may not be able to pass this price increase through to its customers and will consequently suffer lower profits. Alliance may be able to mitigate the effects of high wholesale crop prices through the use of value-adding technologies (splitting and colour-sorting equipment) to produce a higher margin food product from the raw commodity. Margins may also be preserved through product and market diversification allowing Alliance to pursue sales in products that have demonstrated more price stability and margin stability. The entire product and market diversification strategy of Alliance is aimed at mitigating price risk to margin risk correlation. Margin erosion is combated by negotiating lower prices from growers, negotiating better freight rates, and charging higher end client prices. As a "market-maker" in value-added pulses, Alliance is in a good position to put such strategies into effect. However these measures may not provide complete protection against sharp increases in the wholesale price of crops.

A portion of Alliance's crop purchases are made through production contracts, which fix a price at which Alliance may purchase lentils from a producer over the course of the selling season. Should events occur after the price is fixed that increase the cost of production, the margins realized by Alliance on the crops purchased under such a production contract could be lower than expected. If after Alliance purchases crops their sale price falls below the price at which Alliance purchased them, Alliance could realize a lower than expected margin on sales, or even have unprofitable sales. Product purchased through production contracts does not typically exceed 10% of Alliance's annual requirements.

General Economic Conditions

The global economic crisis of 2008 and the continued recession conditions in 2009 are not expected to have a material impact on Alliance's operations. In times of economic crisis, staple protein consumption of pulses tends to rise. As disposable incomes contract, food choices are made by the household to ensure their proper nutrition and sustenance. Pulses provide a traditional option of relatively high protein and relatively low cost. The financial ability of importers to continue imports is being positively affected by developing country central bank regulations allowing favourable terms for import letters of credit for basic staple commodities which include pulses. Nonetheless, there can be no guarantee that a worsening economic climate will not have an adverse effect on Alliance's business indirectly, through pressure on the liquidity of Alliance's business partners and the intermediaries necessary to bring product to market.

Distribution and Supply Contracts

Alliance typically does not enter into written long-term agreements with its clients, distributors or suppliers. As a result, such parties may, without notice or penalty, terminate their relationship with Alliance at any time. In addition, even if such parties should decide to continue their relationship with Alliance, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis. All spot contracts with growers or sales contracts to clients are backed by formal written legal contracts and are enforceable through local courts, international or local trade and arbitration rules (Grain and Feed Trade Association ("GAFTA"), Canadian Special Crops Association ("CSCA") trade rules, U.S. Peas and Lentil Trader Association Rules) and all amounts owed under these contracts are subject to repudiation risks coverage through Alliance's receivables insurance policy with the EDC.

Customer Retention and Competitive Environment

Alliance experiences competition in the markets in which it operates. Certain of Alliance's competitors may have greater financial and capital resources than Alliance. Alliance could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus, or increase their existing focus, on Alliance's primary markets and product lines. There is also a risk that a larger, more formidable competitor may be created through a combination of several smaller competitors. Competition within the pulse and special processing industry is based primarily on service and price. If Alliance is unable to compete effectively in these areas, it may lose existing customers or fail to acquire new customers, which would have a material adverse effect on its results of operations and financial condition.

Operating Requirements

Alliance's revenues are dependent on the continued operation of its facilities. The operation of facilities involves certain risks, including the failure or substandard performance of equipment, natural disasters, workplace accidents, labour problems, spoilage, as well as other hazards incidental to the production, use, handling, processing, storage and transportation of pulses and special crops. Also, as an industrial operation, Alliance is exposed to workplace health and safety and workers' compensation claims. There can be no assurance as to the actual amount of these liabilities or the timing of them. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on Alliance's business financial condition and results of operations.

The success of Alliance's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of Alliance to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on Alliance's results of operations. There is no assurance that some or all of the

employees of Alliance will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse affect on Alliance's results of operations.

Uninsured and Underinsured Losses

Alliance maintains property, equipment, business interruption and liabilities insurance coverage and utilizes the services of AON International and local insurance brokers in U.S. and Australia to review continuously its adequacy of coverage and pricing of insurance. Alliance will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

Reliance on Key Personnel

Alliance's operations are dependent on the abilities, experience and efforts of its senior management. Should any of these persons be unable or unwilling to continue providing services to Alliance, the business prospects of Alliance could be materially adversely affected.

Foreign Exchange Exposure

While most of Alliance's costs are incurred in Canadian dollars, most of its revenues are earned in U.S. dollars. As a result, Alliance is exposed to currency exchange rate risks. A change in the currency exchange rate may effectively reduce the Canadian dollar amounts received by Alliance and hence available to Alliance to satisfy its payment obligations to the Fund, which in turn would have a material adverse effect on the Fund's ability to maintain a consistent level of distributions to its Unitholders, as the Fund's distributions are made in Canadian dollars. For the purposes of financial reporting by the Fund, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange loss or gain on the translation of any U.S. cash and cash equivalents. Alliance has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in U.S. dollars. All sales proceeds are hedged at the time of sale to mitigate currency risks. Nonetheless, there can be no assurance that currency fluctuations will not have a material adverse effect on Alliance or the Fund or on the Fund's ability to maintain a consistent level of distributions to its Unitholders.

Export Risk

Virtually all of Alliance's production is exported outside Canada to all geographic regions of the world. Alliance minimizes the risks involved with the export of goods to foreign countries by selling with internationally accepted documentary letters of credit, documentary collections and receivables insurance through EDC. Nonetheless, there is a residual risk that goods may be lost in transit before a foreign buyer can take delivery and before they are paid for in full (for which reason Alliance maintains a contingent cargo insurance policy), or that a foreign buyer may refuse delivery of the product after it has been shipped but before it has been paid for in full (for which reasons Alliance maintains an insurance policy with EDC, which covers 90% of the losses attributed to repudiation risks). This could lead to residual costs to Alliance affecting its profitability.

Capital Investment

The timing and amount of Alliance's capital expenditures will directly affect the amount of Distributable Cash (as defined under "*Distributions*"). Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

In addition, the Fund's Distributable Cash will depend on Alliance's success in keeping its operating costs low and funding any increases in expenses.

Repayment of Principal on the Alliance Note

The maturity, or acceleration of the maturity on default, of the Alliance Note will create a substantial liability for Alliance which it may not be able to meet out of its normal cash flow, and which it may not be able to refinance on favourable terms. Alliance may therefore be forced to sell off its assets to repay the principal amount of the Alliance Note, and the value of Alliance's assets may not be sufficient for that purpose. The assets of Alliance are also subject to a security interest in favour of the Bank of Nova Scotia, which has priority over the Fund's claim to the same assets. Therefore, the Fund may not be able to collect the entire principal amount of the Alliance Note when it comes due.

Credit Facilities

Payments under Alliance's credit facilities with the Bank of Nova Scotia and the FCC and the security granted in respect of the same have priority over all other payments payable and security granted by Alliance, including payments under and security for the Alliance Note. Distributions from Alliance to the Fund may be restricted if Alliance fails to maintain its covenants under its credit facilities. The credit facilities have floating interest rates and management is constantly monitoring interest rates to make adjustments to its fixed versus floating interest rate management program. Alliance also uses fixed rate banker's acceptances to mitigate a portion of its floating interest rate risk in its operating credit facilities. The extremely low interest rates prevailing in Canada in recent years have induced Alliance management to leave its credit facilities largely at floating interest rates. If there is a significant increase in such interest rates, it will have an adverse effect on Alliance.

Liquidity Risk

Liquidity risk results from the requirement of Alliance to make cash payments against certain indebtedness over the course of upcoming years. The following are the contractual maturities of financial liabilities, including interest payments, of Alliance as at December 31, 2008:

	Carrying amount	Contractual cash flows	1 year	2 years	3 – 5 years	More than 5 years
Bank indebtedness	\$17,447,581	\$17,447,581	\$17,447,581	-	-	-
Accounts payable	32,284,766	32,284,766	32,284,766	-	-	-
Long-term debt	16,272,039	18,551,156	1,563,904	1,571,499	4,169,785	11,245,967
Distributions payable	1,098,069	17,972,225	4,312,077	4,366,183	4,646,983	4,646,983
Total	\$67,102,454	\$86,255,728	\$55,608,327	\$5,937,682	\$8,816,768	\$15,892,950

Future operational cash flows and sufficient assets are on hand to fund these obligations. In addition Alliance practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. Alliance's diversified

customer base ensures that concentration risks are minimized and that inflows are more predictable. The cash flow management activities and the continued profitability of Alliance's operations allow for substantial mitigation of liquidity risk.

Acquisition and Expansion Risk

The Fund may expand its underlying business operations (whether through Alliance or otherwise), depending on certain conditions, by acquiring additional businesses or assets. 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 or assets into its current business without substantial expenses, delays or other operational or financial difficulties. The Fund's ability to acquire additional businesses may be impacted by its cost of capital and access to credit. Furthermore, acquisitions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the Fund's performance. In addition, there can be no assurance that acquired businesses, products, or technologies, if any, will achieve anticipated revenues and income. 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.

Risks Related to the Structure of the Fund

Cash Distributions Are Not Guaranteed and Will Fluctuate with Alliance's Performance

Although the Fund intends to distribute all of its Distributable Cash less certain expenses and amounts, if any, paid or to be paid by the Fund in connection with the redemption of Units, the Fund will be entirely dependent upon Alliance for its Distributable Cash. The Fund's ability to make cash distributions to the Unitholders will be dependent upon Alliance's ability to satisfy its interest obligations under the Alliance Note and to declare any dividends or other return of capital in respect of the Alliance common shares, which ability will be in turn dependent upon numerous factors including the profitability of Alliance's operations, determination of taxable income and taxes payable by Alliance, fluctuations in working capital, the sustainability of margins and capital expenditures. Accordingly, there can be no assurance regarding the amounts of income to be generated by Alliance and paid or distributed to the Fund.

Limits on Expansion

As an "income trust", the Fund is subject to restrictions on its ability to grow without becoming subject to additional income taxes that would otherwise not apply to the Fund until the taxation year commencing January 1, 2011 (see "*Taxation of Income Trusts*", below).

Capital Markets

As a result of the weakened global economic situation, the Trust will have restricted access to capital and increased borrowing costs. The lending capacity of all financial institutions has diminished independent of the Trust's businesses and asset base. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Trust's ability to do so is dependent on, among other factors, the overall state of capital markets and investor demand for investments in the commodities industry and the Trust's securities in particular.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Nature of Trust Units

The Units represent a fractional interest in the Fund. The Units do not represent a direct investment in the assets and business of Alliance and should not be viewed by investors as being equivalent to shares or debt of Alliance. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The rights of Unitholders are established by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the Canada Business Corporations Act (the “CBCA”), significant differences exist.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect Trustees and appoint auditors. The Declaration of Trust also includes provisions modelled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Unitholders and Trustees, the quorum for and procedures at such meetings and the right of Unitholders to participate in the decision making process where certain fundamental actions are proposed to be undertaken. However, unlike shareholders of a CBCA corporation, Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Fund. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund’s subsidiary entities. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or listed on the TSX Venture Exchange. Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (i) the business or businesses that the corporation can carry on; or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to exercise the redemption rights provided by the Declaration of Trust, as described under “*Description of the Capital Structure - Units of the Fund - Redemption Rights*”, below.

Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or that disregard the interests of securityholders and certain other parties. Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders may rely only on the general provisions of the Declaration of Trust which permit the winding up of the Fund with the approval of a special resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows Unitholders to pass resolutions appointing an inspector to investigate the Trustees' performance of their responsibilities and duties, but this process would not be subject to court oversight or assurance of the other investigative procedures, rights and remedies available under the CBCA.

The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs or for any act or omission of the Trustees but, in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable against, and will be satisfied only out of, each Unitholder's share of the Fund's assets. The Declaration of Trust further provides that all written instruments signed by or on behalf of the Fund shall contain a provision or be subject to an acknowledgement to the effect that such obligation will not be binding upon Unitholders personally and that such provision or acknowledgement shall be held in trust and enforced by the Trustees for the benefit of the Unitholders.

However, in conducting its affairs, the Fund will assume certain contractual obligations and may have to assume further obligations in the future. Although the Trustees will use reasonable efforts to have any contractual obligations modified so that such obligations will not binding upon any of the Unitholders personally, they may not be able to obtain such a modification in all cases. To the extent that any claims under such contracts are not satisfied by the Fund, there is a risk that a Unitholder will be held personally liable for obligations of the Fund where the liability is not disavowed as described above.

Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of the Fund to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Fund (to the extent the claims are not satisfied by the Fund's assets) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The business of the Fund and its affiliates will be conducted, upon the advice of counsel, in such a way so as to avoid, as much as possible, any material risk of liability to the Unitholders for claims against the Fund including obtaining appropriate insurance, where available, for the operations of Alliance. However, there can be no assurance that a Unitholder will not be subject to liability in the future.

Mutual Fund Trust Status

The Fund currently qualifies as a mutual fund trust for purposes of the Tax Act and intends to continue to so qualify. The Fund may not, however, always be able to satisfy any future requirement for the maintenance of mutual fund trust status. Should the status of the Fund as a mutual fund trust be lost

or successfully challenged by a relevant tax authority, certain materially adverse consequences may arise for the Fund and Unitholders.

To qualify as a “mutual fund trust” for purposes of the Tax Act, the Fund must continuously satisfy certain requirements as to the nature of its undertakings (primarily that it must restrict its activities to the investment of funds), its ability to distribute Units to the public, the dispersal of ownership of its Units and the requirement that, unless it meets certain exceptions, it must not be reasonable to consider that it was established or is maintained primarily for the benefit of persons who are not residents of Canada for the purposes of the Tax Act (“**Non-Residents**”).

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

If the Fund ceases to qualify as a “mutual fund trust”, the Units will cease to be qualified investments for trusts governed by “registered retirement savings plans”, “registered retirement income funds”, “deferred profit sharing plans”, registered education savings plans”, and for trusts governed by “tax-free savings accounts”, (collectively, the “**Plans**”), as defined in the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. There can be no assurance that the Units will continue to be qualified investments for Plans.

Taxation of Income Trusts

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units.

On October 31, 2006, the Minister of Finance (Canada) announced proposals relating to the taxation of income trusts, which proposed that the Tax Act be amended to impose tax on certain income earned by income trusts and other publicly traded trusts and partnerships. On December 21, 2006 the Minister of Finance (Canada) released draft legislation in respect of these proposals (the “**SIFT Rules**”). Under the SIFT Rules, trusts or partnerships (defined as “**SIFT Trusts**” and “**SIFT Partnerships**”, respectively) the securities of which are listed on a prescribed stock exchange or other public market and that hold one or more “non-portfolio properties” (as defined) would effectively be taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned by Canadian corporations. Distributions of such income received by unitholders of SIFT Trusts (and allocations of such income made to members of SIFT Partnerships) would be treated as eligible dividends from a taxable Canadian corporation.

The SIFT Rules were included in Bill C-52 which received Royal Assent on June 22, 2007. Modifications to the SIFT Rules were included in Bill C-10 which received Royal Assent on March 12, 2009.

The SIFT Rules will not apply to income trusts, the units of which were publicly traded as of October 31, 2006, such as the Fund, until January 1, 2011, subject to issues of normal growth discussed further herein.

In general terms, a trust that existed on October 31, 2006 and to which the SIFT Rules otherwise would apply (i.e. the Fund), should not become a SIFT Trust until the earlier of January 1, 2011 or the first day after December 15, 2006 that the trust exceeds “normal growth” determined by reference to guidelines first issued on December 15, 2006 by the Minister of Finance (Canada) and amended on December 4, 2008 (the “**Guidelines**”). The Guidelines provide that a trust should not be considered to

exceed “normal growth” if the trust does not issue new equity (including convertible debentures or other equity substitutes) that exceeds the greater of C\$50 million per year or certain specified “safe harbour” amounts based on the market capitalization of the trust on October 31, 2006. Under the Guidelines, the Fund’s normal growth for the period from January 1, 2009 to December 31, 2010 is limited to C\$100 million. While these normal growth restrictions are such that it is unlikely they alone would affect the Fund’s ability to raise the capital required to maintain and grow the Fund’s existing operations in the ordinary course during the transition period, they could adversely affect the cost of raising capital and the Fund’s ability to undertake more significant acquisitions.

Once the Fund becomes a SIFT Trust, the Fund expects that the SIFT Rules will result in adverse tax consequences to the Fund and certain Unitholders and may affect the level of the Fund’s cash distributions. In particular, management of the Fund believes that the SIFT Rules will reduce the net amounts the Fund has available to distribute to Unitholders to the extent of any tax payable by the Fund on non-portfolio earnings after the time the Fund becomes a SIFT Trust.

As part of its ongoing strategic planning, the Fund will continue to examine and evaluate its various strategic alternatives, including its ability to reorganize its legal and tax structure to mitigate the expected impact of the SIFT Rules.

ITEM 5. DISTRIBUTIONS

The Fund’s policy is to make distributions to Unitholders of its “**Distributable Cash**” to the maximum extent possible. The Fund’s Distributable Cash consists of all cash received by the Fund in each calendar quarter, less: (i) amounts which have become payable in cash by the Fund relating to the redemption of Units; and (ii) any amount which the Trustees may reasonably consider to be necessary to provide for the payment of any obligations which have been or may be incurred or for making investments in the course of the activities and operations of the Fund and to provide for the payments of any income tax liability of the Fund. The Fund intends to make quarterly cash distributions within seven business days of the last business day of each quarter, as prescribed by resolution of the Fund’s Board of Trustees.

Please note that Distributable Cash is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, Distributable Cash may not be comparable to similar measures presented by other issuers.

To date, the Fund’s Distributable Cash has consisted entirely of the quarterly interest payments made to it by Alliance under the Alliance Note. Alliance pays to the Fund interest on the Alliance Note quarterly, generally within two business days of the end of each quarter.

In addition, Alliance may pay dividends or make other distributions of its available cash to the Fund after determining what cash remains available at fiscal year end. Alliance will apply its EBITDA first to pay all of its obligations and operating expenses, including management incentive bonuses and payment of interest to the Fund under the Alliance Note, and, after setting aside such reasonable reserve for working capital and/or sustaining capital expenditures as it may determine, Alliance will distribute cash entitlements to the holders of its Exchangeable Shares on a basis matching the cash distributions made to Unitholders of the Fund. Since Alliance and the Fund both have December 31 as their fiscal year end, this additional distribution, if any, may be made at the same time as the distribution for the Fund’s first quarter in each year. To date, the Board of Trustees has chosen to keep the surplus cash in the Alliance to fund its operations and the Fund’s growth and expansion strategy.

The following table sets out the aggregate distributions made to Unitholders by the Fund for each of the three most recently completed financial years of the Fund.

Year	Aggregate Distributions
2008	\$2,900,894.67
2007	\$1,375,198.81
2006	\$ 581,895.60

Aggregate distributions to Unitholders increased after the acquisition of Saskcan as the acquisition brought additional cash-generating business operations under the Fund's umbrella.

The following table sets out the distributions per Unit made to Unitholders by the Fund for each of the three most recently completed financial years of the Fund.

Record Date for Distribution	Distribution per Unit
December 31, 2008	\$0.137511
September 30, 2008	\$0.1326403 ⁽¹⁾
June 30, 2008	\$0.138766
March 31, 2008	\$0.13898
December 31, 2007	\$0.135
September 30, 2007	\$0.125
June 30, 2007	\$0.125
March 31, 2007	\$0.125
December 31, 2006	\$0.125
September 30, 2006	\$0.122 ⁽¹⁾
June 30, 2006	\$0.119 ⁽¹⁾
March 31, 2006	\$0.125

- (1) The Fund aims to make distributions of at least \$0.135 per Unit at the end of each calendar quarter (\$0.125 per quarter before the acquisition of Saskcan). Distributions made were less than this target amount in certain quarters because the Fund issued additional Units during those quarter in exchange for exchangeable shares of Agtech (See "*General Development of the Business - Significant Acquisitions - Acquisition of Agtech*", above). Since the additional Units were issued after the beginning of the quarter, the promissory notes issued by Alliance (or Agtech before the acquisition of Saskcan) to pay for such additional Units (subsequently consolidated into the Alliance Note) did not earn a full quarter's interest income for the Fund.

ITEM 6. DESCRIPTION OF THE CAPITAL STRUCTURE

6.1 Units of the Fund

The Fund is authorized to issue an unlimited number of Units. In addition, the trust deed provides for Special Voting Rights to be held by the former owners of Saskcan. The Fund arranged for the former owners of this company to receive special shares of Alliance which may be exchanged for Units on a one-for-one basis (See "*Significant Acquisitions*", above). The rights, privileges and restrictions attaching to the Units and the Special Voting Rights are as set out below.

Units

Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders.

Redemption Rights

Units are redeemable by the Unitholders quarterly on at least ten (10) days' notice. If the Units are issued in book entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer which will be required to deliver the completed redemption notice form to the Fund. Upon receipt by the Fund of the redemption notice, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten trading day period commencing immediately subsequent to the date on which the Units were surrendered for redemption (the "**Redemption Date**"), and (ii) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

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

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the end of the quarter in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable in cash by the Fund in respect of such Units and all other Units tendered for redemption in the same quarter shall not exceed \$25,000, provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any quarter; (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then, at the option of the Fund, the payment of the Redemption Price may be deferred until the first subsequent Redemption Date on which the foregoing limitations would not apply, or the Units tendered for redemption may, subject to any applicable regulatory approvals, be redeemed by way of a distribution in specie of a pro rata share of the Alliance Note and common shares of Alliance held by the Fund. No fractional common shares or Alliance Note in integral multiples of other than \$100

will be distributed and, where the number of securities of Alliance to be received by a Unitholder includes a fraction or a multiple less than \$100, such number shall be rounded to the next lowest whole number or integral of \$100. If applicable, the Fund shall be entitled to all interest paid on the Alliance Note and the distributions paid on the common shares on or before the date of the distribution in specie. Where the Fund makes a distribution in specie of a pro rata number of securities of Alliance on the redemption of Units of a Unitholder, the Fund currently intends to treat as payable to and designate to that Unitholder any capital gain realized by the Fund as a result of the distribution of such securities to the Unitholder.

Despite the foregoing, if the Fund has granted security on any of its assets (including, if applicable, the common shares and/or Alliance Note), then, in the event of in specie distributions, such assets may be distributed directly or indirectly (including via another entity) in such manner as is considered appropriate by the Trustees so as to preserve such security interest while giving redeeming Unitholders, directly or indirectly, the pro rata interests they are entitled to.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Securities of Alliance, which may be distributed in specie to Unitholders in connection with a redemption, may not be listed on any stock exchange, no market may develop in such securities of Alliance and they may be subject to resale restrictions under applicable securities laws. Securities of Alliance so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

If the Trustees become aware by written notice that the beneficial owners of 49% or more of the Trust Units then outstanding are, or may be, Non-Residents or that such situation is imminent, the Trustees shall ensure that the limitations on non-resident ownership as provided in Section 13.5 are met.

Restrictions on Non-Resident Ownership

The Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49% of all outstanding Units. The Trustees may (i) require declarations as to the jurisdictions in which beneficial owners of Units are resident, (ii) refuse a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a Non-Resident, or (iii) send a notice to Non-Resident holders of Units chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell or redeem their Units or a portion thereof to persons who are residents of Canada within a specified period of not less than 60 days. If the Unitholders receiving such notice do not comply, the Trustees may, on behalf of such Unitholders, sell or redeem such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units.

Special Voting Rights

Special Voting Rights may not be transferred or otherwise disposed of separately from the Exchangeable Shares. The Special Voting Rights do not entitle their holders to any distributions from the Fund, whether of net income, net realized capital gains or other amounts, or to participate in the net assets of the Fund in the event of the termination or winding-up of the Fund. The Special Voting Rights entitle their holders to one vote at any meeting of Unitholders for every Unit into which the Exchangeable Shares held by such holders may be exchanged at that time. The holders of the Special Voting Rights will be treated as Unitholders for all purposes with respect to meetings of Unitholders, except for the purpose of determining if a quorum exists. As the Exchangeable Shares are exchanged for Units, the number of votes to which the holders of the Special Voting Rights are entitled will decrease accordingly,

so that there will be no Special Voting Rights outstanding once all of the Exchangeable Shares have been exchanged for Units.

6.2 Other Securities of the Fund

As of December 31, 2008, there were issued and outstanding 5,951,993 Units and rights to acquire up to an additional 2,628,557 Units. These rights consist of: (i) 2,033,334 Exchangeable Shares of Alliance; (ii) compensation options to acquire 75,223 Units, each exercisable for one Unit at a price of \$5.40 per Unit until August 2, 2009, which were issued to various investment companies in connection with the private placement described under “*General Development of the Business - Private Placements*”, above; and (iii) incentive options to acquire 520,000 Units, each exercisable for one Unit at a price of \$9.00 per Unit until April 21, 2013, which were granted to the Trustees and officers of the Fund and key employees of Alliance and its subsidiaries, and vest in equal annual increments over a three year period, beginning April 21, 2011 (April 21, 2009 for independent Trustees). As of May 28, 2009, there are 5,948,928 Units issued and outstanding (certain Units were redeemed after the end of the 2008 fiscal year), and the number of rights to acquire additional Units has not changed.

6.3 Capital Structure of Alliance

The authorized share capital of Alliance consists of an unlimited number of common shares and an unlimited number of special non-voting Exchangeable Shares, of which 1,000,000 common shares and 2,033,334 Exchangeable Shares were issued and outstanding as of December 31, 2008, and remain unchanged as of the date hereof. All of the issued and outstanding common shares of Alliance are held by the Fund. All of the Exchangeable Shares are held by former shareholders of Saskcan. The rights, privileges and restrictions attaching to the common shares and the Exchangeable Shares of Alliance are as set out below.

Common Shares

Each common share entitles its holder to: (i) receive notice of and to attend all meetings of shareholders of Alliance and to one (1) vote per share at such meetings (other than meetings of another class of shares); (ii) receive in any year dividends ranking *pari passu* with dividends declared on the Exchangeable Shares if, as and when declared by the board of directors on common shares; and (iii) share rateably in all remaining property and assets of Alliance in the event of the liquidation, dissolution or winding-up of Alliance or other distribution of its assets among its shareholders for the purpose of the holders of the Exchangeable Shares.

Exchangeable Shares

Holders of the Exchangeable Shares will not be entitled to vote at meetings of shareholders of Alliance (other than meetings at which they would have a statutory right to vote). Holders of the Exchangeable Shares will be entitled to receive dividends if, as and when declared by the board of directors Alliance ranking equally with dividends declared on the common shares (and only if a dividend is at the same time paid on the same basis to the holders of the common shares). In the event of the liquidation, dissolution or winding-up of Alliance or other distribution of its assets among its shareholders for the purpose of winding-up its affairs, holders of the New Agtech Shares will be entitled to receive, in priority to the holders of all other classes of shares of Alliance, the redemption amount for their Exchangeable Shares (being an amount per share equal to the volume-weighted average of the closing price of the Units for the ten trading days preceding the date of redemption), but thereafter they will not be entitled to share in any further distribution of the property or assets of Alliance.

The Exchangeable Shares may be exchanged for Units on a one-for-one basis pursuant to their retraction and redemption features and certain put and call arrangements between Alliance, the Fund and a wholly-owned subsidiary of the Fund established for such a purpose. Alliance pays for the Units to be issued to the holders of Exchangeable Shares on exchange by issuing to the Fund additional promissory note equal to the aggregate market price of the Units to be issued. This promissory note is then consolidated into the Alliance Note. However, if a take-over bid is made for Units, then the holders of the Exchangeable Shares may exchange a percentage of their Exchangeable Shares corresponding to the percentage of the Units being sought by the offeror of the bid; and provided further that if the Fund is to be wound up, all of the Exchangeable Shares may be exchanged for Units immediately. All of the Exchangeable Shares are held by the former shareholders of Saskcan. The Fund's Declaration of Trust provides that each holder of Exchangeable Shares is entitled to one Special Voting Right for each Exchangeable Share held by him.

ITEM 7. MARKET FOR SECURITIES

The Units are listed on Tier 2 of the TSX Venture Exchange (the "TSXV") under the symbol "AGT.UN".

The following table sets forth the price ranges and volume of trading of the Units on the TSXV for each month during the year ended December 31, 2008:

Month	High \$	Low \$	Volume
January	\$10.50	\$8.50	154,000
February	\$10.36	\$9.50	81,300
March	\$10.36	\$9.60	156,700
April	\$11.24	\$9.00	422,300
May	\$12.75	\$11.03	367,700
June	\$16.25	\$12.25	562,200
July	\$16.00	\$11.25	242,900
August	\$15.74	\$13.00	382,800
September	\$15.50	\$12.80	151,300
October	\$14.00	\$7.55	101,500
November	\$10.50	\$8.21	69,300
December	\$9.10	\$7.10	106,600

ITEM 8. TRUSTEES AND OFFICERS OF THE FUND

8.1 Trustees and Officers

The following table sets forth, for each of the Trustees of the Fund and executive officers of the Fund, the individual's name, municipality of residence, principal occupation and, the period during which the individual has served as a Trustee of the Fund.

Name and Province and Country of Residence	Position with the Fund	Trustee Since	Number of Units and Special Voting Rights Beneficially Owned or Controlled or Directed	Principal Occupation
Murad Al-Katib Saskatchewan	Chair of the Board of Trustees, CEO of Alliance Pulse Processors Inc.	August 1, 2007	295,326 ⁽¹⁾	Chairman of the Board of Trustee, Alliance Grain Traders Income Fund; President and CEO, Alliance Pulse Processors Inc.
Huseyin Arslan Saskatchewan	Trustee	January 31, 2008	1,155,578	General Manager of Arbel Pulse and Grain Industry, SA
Howard N. Rosen ⁽¹⁾⁽²⁾ Ontario	Vice-chair of the Board of Trustees	November 30, 2004	15,000 ⁽⁴⁾	Senior Managing Director, FTI Consulting
Jeffrey W. Renwick ⁽²⁾⁽³⁾ Ontario	Trustee	November 30, 2004	29,600	President, Standard Biochem Inc.
Denis C. Arsenault ⁽²⁾⁽³⁾ Ontario	Trustee	November 30, 2004	4,000	Consultant, Chartered Accountant
Lori Ireland Saskatchewan	CFO of the Fund	August 1, 2007	14,100	CFO of Alliance Grain Traders Income Fund
Gaetan Bourassa Saskatchewan	Vice-president of Alliance	August 1, 2007	83,300	Vice-president of Alliance

- (1) 124,956 Units are held by Mr. Al-Katib directly, and 170,370 Units are held by Al-Katib Consulting Inc., a corporation controlled by Mr. Al-Katib.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) 12,900 Units are held by Howard Rosen directly, and 2,100 Units are held by Randy Rosen.

Murad Al-Katib and Huseyin Arslan are also the sole directors of Alliance. Mr. Al-Katib is also the sole director and officer of each of the other subsidiaries of the Fund and Alliance.

The term of office of each trustee expires at the next annual meeting of the Unitholders. Each of the trustees and executive officers listed above has been engaged for more than five years in his present principal occupation, except as set forth below.

Murad Al-Katib. Mr. Al-Katib founded Saskcan in 2001 with Huseyin Arslan, and led its expansion as processor and seller of pulses and specialty crops over the next six years as the company's President and CEO. After the amalgamation of Saskcan and the Fund's then operating company, Agtech, in August 2007, Mr. Al-Katib joined the Board of Trustees of the Fund, and assumed the role of President

and CEO of the Fund's new amalgamated operating company, Alliance. In January 2008 he was appointed Chairman of the Board of Trustees of the Fund. Mr. Al-Katib graduated from the University of Saskatchewan with a Bachelor of Commerce with Distinction in Finance and finished his Master of International Management with Distinction from the American Graduate School of International Management (Thunderbird) in Arizona. In 2005, he was elected to Board of Directors of the Canadian Special Crops Association ("CSCA") and Pulse Canada, the national association for the pulses and specialty crops industry. In 2006, he was elected President of the CSCA and Vice Chair of Pulse Canada. Also in 2006, Murad was appointed to the Advisory Board for Small and Medium Enterprise for the Canadian Minister of International Trade. In October 2004 Mr. Al-Katib was selected as the Prairie Regional Winner of the Ernst and Young Emerging Entrepreneur of the year for 2004. In May 2005, he was named one of Canada's Top 40 under 40 years old in Canada by the Caldwell Partners and the Globe and Mail. In 2006, Mr. Al-Katib was awarded a Saskatchewan Centennial Medal as an outstanding business leader by Saskatchewan's Lieutenant-Governor.

Huseyin Arslan. Mr. Arslan was one of the founding shareholders of Saskcan, which was acquired by the Fund and merged with Agtech in August 2007. For the last 15 years, Mr. Arslan has been the General Manager of Arbel Pulse and Grain Industry, SA, a diversified food processor involved in the processing and export of lentils, chickpeas, beans, bulgur wheat (cracked durum wheat), pasta, semolina and vegetable oils, based in Mersin Turkey. He is a director of the Fund's operating company Alliance, and was appointed a trustee of the Fund on January 31, 2008. Mr. Arslan holds a Bachelor of Science in Electronics Engineering from Middle East Technical University in Turkey and has over two decades of experience in the trading of agricultural and food products globally. He also serves as a director of several companies owned by his family, including Durum Gida, Arbel Bulgur (Turkpulse) and European Tobacco SA. He is also an elected member of the executive committee of the International Pulse Processors and Exporters Federation.

Denis C. Arsenault. Mr. Arsenault was the Chief Financial Officer, Vice-President, Finance and a director of Orbus Pharma Inc. from 2002 to 2006. He was the Chief Financial Officer of Central Sun Mining Inc. (formerly Glencairn Gold Corporation) from December 2006 to March 2009, when the company was taken over by B2Gold Corp. He is currently an independent consultant. He is also a director of Thomson Creek Minerals Inc. (formerly Blue Pearl Mining Ltd.), Rockcliff Resources Inc. and Metals Creek Resources Corp. (formerly The Endurance Fund Corp.).

Jeffrey W. Renwick. Mr. Renwick is the President of Standard Biochem Inc. and has held this position since July 2008. Before that he was the President and Chief Executive Officer and a director of Orbus Pharma Inc. (formerly Orbus Life Sciences Inc.), a company listed on the Toronto Stock Exchange from March 2000 to July 2008.

Howard Rosen. Mr. Rosen is the senior managing director of FTI Consulting, a business and regulatory consulting firm. From April 2004 to March 2009, he was the managing director of LECG Canada, Ltd., also a business and regulatory consulting firm. Before that he was a principal of LRTS from May 1998 to April 2004, and a partner with Arthur Andersen from June 1992 to May 1998. He was also a director of Betacom Corp., a company listed on the TSX Venture Exchange, from October 2002 to November 2003.

Lori Ireland. Ms. Ireland was the Chief Financial Officer of Saskcan prior to its acquisition by the Fund. After the amalgamation of Saskcan and the Fund's then operating company, Agtech, in August 2007, Ms. Ireland assumed the role of Chief Financial Officer of the Fund.

Gaetan Bourassa. Mr. Bourassa was the Vice-President of Saskcan prior to its acquisition by the Fund. After the amalgamation of Saskcan and the Fund's then operating company, Agtech, in August 2007, Mr. Bourassa assumed the role of Vice-president of Alliance.

Unitholdings of the Trustees as a Group

As at May 28, 2009, the Trustees and executive officers of the Fund, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 1,596,904 Units and Special Voting Rights, representing approximately 20% of the total number of Units outstanding before giving effect to the exercise of options to purchase Units held by such trustees.

8.2 Fund Governance

The Board of Trustees

Whereas a corporation would have a board of directors, the Fund has a Board of Trustees to supervise the activities and manage the affairs of the Fund. The Declaration of Trust provides that the Fund must have a minimum of three (3) trustees and a maximum of ten (10) trustees, who will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting.

Powers and Duties of the Trustees

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the Fund's assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner of such assets and shall supervise the investments and conduct the affairs of the Fund. The Declaration of Trust requires that a majority of the Trustees be residents of Canada (as that term is defined in the Tax Act) and that a majority of Trustees comprising the quorum for each meeting of the Trustees be residents of Canada. The Trustees are responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder and creditor of Agtech; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities of the Fund; (iv) effecting distributions to Unitholders; and (v) voting in favour of the Fund's nominees to serve as directors of Agtech.

Any trustee may resign upon 30 days' written notice to the Fund and may be removed by a resolution passed by a majority of the Unitholders. The vacancy created by such removal must be filled at the same meeting, failing which it may be filled by a quorum of the Trustees. A quorum of the Trustees, being a majority of the Trustees then holding office (a majority of which must consist of residents of Canada), may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees, in which case the Trustees will forthwith call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call such meeting, or if there are no trustees then in office, any Unitholder may call the meeting.

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

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each trustee shall be entitled to indemnification from the Fund in respect of the exercise of the Trustee's power and the discharge of the Trustee's duties provided that they acted honestly and in good faith with a view to the best interests of the Fund and in accordance with the standard of care set out above. Additionally, in certain circumstances, limitations on indemnification

similar to those applicable to a director under the Canada Business Corporations Act will apply. Agtech will also agree to indemnify the Trustees provided they act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Except as expressly prohibited by law, the Trustees may grant or delegate their authority for certain administrative duties. The Trustees may also delegate to officers of Agtech or its affiliates certain powers for management of the day-to-day affairs of the Fund, provided such delegation is not inconsistent with the Declaration of Trust.

Independence of the Board

Three of the five current members of the Board of Trustees are independent within the meaning of NI 58-101. Mr. Al-Katib is not independent, as he is an officer of Alliance, the Fund's operating company. Mr. Arslan is not independent, as he is a founder of Saskcan, one of the predecessors of Alliance. The independent directors hold regularly scheduled meetings.

To help ensure the functioning of the Board of Trustees independently of management, the independent Trustees hold informal meetings at which members of management are not present. In addition, the compensation of the officers of the Fund and its operating companies is considered in their absence by the Compensation Committee of the Board at least once a year.

Directorships with Other Reporting Issuers

Howard N. Rosen is a director of The Medipattern Corporation. Denis C. Arsenault was the Chief Financial Officer of Central Sun Mining Inc. (formerly Glencairn Gold Corporation) until March 2009 and is a director of Thomson Creek Minerals Inc. (formerly Blue Pearl Mining Ltd.), Rockcliff Resources Inc. and Metals Creek Resources Corp. (formerly The Endurance Fund Corp.).

Orientation and Continuing Education

The Board of Trustees does not have a formal program for the orientation and education of new members. New members are briefed on their responsibilities by counsel to the Fund.

Ethical Business Conduct

The Board of Trustees encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to management to help them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical business conduct. While both the management of Alliance and the Board of Trustees are committed to ensuring the ethical operation of the Fund's business, the Fund does not at present have a formal code of ethics.

Nomination of Trustees

The Board of Trustees does not at present have a policy for the nomination of new Trustees.

Compensation

The Compensation Committee, which is composed entirely of independent directors, assists the Board of Trustees in the discharge of its responsibilities with respect to the setting of compensation for the Trustees and officers of the Fund and the senior officers of the Fund's operating companies. See "*Compensation Committee*", below. The compensation of the Trustees is described in the management

information circular for the annual and special meeting of the Unitholders and holders of Special Voting Rights to be held on May 14, 2009, a copy of which is available under the Fund's profile on SEDAR.

Assessment

Due to the small size of the Board of Trustees, there is no formal process for evaluating the effectiveness of the Board of Trustees, its committees and management. Management reports to the Board of Trustees and evaluation of management's performance takes place informally at the meetings of the Board or in informal meetings by the independent Trustees.

Liability of Trustees

The Declaration of Trust provides that the Trustees will not be liable to any Unitholder or any other person, in tort, contract or otherwise, for any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed; for any depreciation of, or loss to, the Fund incurred by reason of the sale of any asset, the loss or disposition of money or securities, any action or failure to act on the part of Alliance or any other person to whom the Trustees have delegated any of their duties hereunder, or for any other action or failure to act (including failure to compel in any way any former Trustee to redress any breach of trust or any failure by any person to perform its duties under or delegated to it under the Declaration of Trust), unless such liabilities arise out of a breach of the Trustees' standard of care, diligence and skill or breach of the restrictions on the Trustees' powers as set out in the Declaration of Trust. If the Trustees have retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties under the Declaration of Trust, the Trustees may act or refuse to act based on the advice of such expert, advisor or legal counsel, and the Trustees shall not be liable for and shall be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of such expert, advisor or legal counsel. In the exercise of the powers, authorities or discretion conferred on the Trustees under the Declaration of Trust, the Trustees are and shall be conclusively deemed to be acting as Trustees of the Fund's assets and shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgements, costs, charges or expenses against or with respect to the Fund or the Fund's assets. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustees.

The Fund maintains a "directors' and officers'" liability insurance policy for the benefit of the Trustees and the executive officers of the Fund and Alliance.

Committees of the Board of Trustees

The Board of Trustees currently has two standing Committees - Audit and Compensation. Each of the Audit and Compensation Committees are composed entirely of members who are independent of the Fund within the meaning of NI 58-101. The Fund does not have an Executive Committee or Corporate Governance Committee. Such functions are carried out by the Board of Trustees.

Audit Committee

Composition of the Audit Committee

The Audit Committee of the Fund is comprised of Howard N. Rosen, Jeffrey W. Renwick and Denis C. Arsenault. Mr. Arsenault is the Chairman of the Audit Committee. Each of the members of the Audit Committee is considered to be financially literate.

Each of the current members of the Audit Committee is considered to be independent. This determination was made by the Board of Trustees upon inquiring into each member's activities and relationships with the Fund and Alliance.

The qualifications and experience of the members of the Audit Committee are set out below:

Denis C. Arsenault, C.A., holds a Bachelor of Commerce degree from the University of Toronto and is a Chartered Accountant with more than 27 years experience. He began his career with KPMG in 1978. In 2002, Mr. Arsenault became the director, Chief Financial Officer and VP Finance of Orbus Life Sciences Ltd., a private company, which in 2002 merged with BOVAR Inc., a TSX-listed company, to become Orbus Pharma Inc. Mr. Arsenault served as a director, Chief Financial Officer and Vice-President, Finance of Orbus Pharma Inc. (ORB, TSX) until December 1, 2006. He was Chief Financial Officer of Central Sun Mining Inc. (formerly Glencairn Gold Corporation) from December 2006 to March 2009, when the company was taken over by B2Gold Corp. He is currently an independent consultant. He is also a director of Thomson Creek Minerals Inc. (formerly Blue Pearl Mining Ltd.), Rockcliff Resources Inc. and Metals Creek Resources Corp. (formerly The Endurance Fund Corp.).

Jeffrey W. Renwick, is the President of Standard Biochem Inc. and has held this position since July 2008. Prior to this, he was the President and Chief Executive Officer and a director of Orbus Pharma Inc. (formerly Orbus Life Sciences Inc.), a company listed on the Toronto Stock Exchange, from March 2000 to July 2008.

Howard N. Rosen, C.A., C.B.V., is the senior managing director of FTI Consulting, a business and regulatory consulting firm. From April 2004 to March 2009, he was the managing director of LECG Canada, Ltd., also a business and regulatory consulting firm. Before that he was a principal of LRTS from May 1998 to April 2004, and a partner with Arthur Andersen from June 1992 to May 1998. He was also a director of Betacom Corp., a company listed on the TSX Venture Exchange, from October 2002 to November 2003. Mr. Rosen holds a Bachelor of Business Administration degree from the York University Business School, and is a Chartered Accountant, Chartered Business Valuator, Accredited Senior Appraiser, and Certified Fraud Examiner.

Audit Committee Oversight

There have been no recommendations of the Audit Committee since the commencement of the Fund's most recently completed fiscal year that the Board of Trustees has not adopted.

Reliance on Certain Exemptions

The Fund has not relied on any of the exemptions from National Instrument 52-110 - Audit Committees since the commencement of the Fund's most recently completed fiscal year.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Services Fees

The following table sets out the aggregate fees billed by the Fund's external auditor for its last two fiscal years.

Category of Fees	Year Ended December 31, 2008	Year Ended December 31, 2007
Audit Fees⁽¹⁾	\$43,000	\$33,500
Audit-Related Fees⁽²⁾	\$5,500	\$5,750
Tax Fees⁽³⁾	Nil	Nil
All Other Fees⁽⁴⁾	\$1,250	\$3,800

(1) “**Audit Fees**” refer to fees billed for audit services.

(2) “**Audit-Related Fees**” refer to aggregate fees billed for assurance and related services that reasonably relate to the performance of the audit or review of the Fund’s financial statements and are not reported under “Audit Fees”.

(3) “**Tax Fees**” refer to fees billed for advice related to tax compliance, tax advice and tax planning.

(4) “**All Other Fees**” refer to fees billed for services not included in the categories of Audit Fees, Audit-Related Fees and Tax Fees. The fees for 2007 relate to services provided in connection with the acquisition of Saskcan by the Fund and the amalgamation of Saskcan and Agtech in August 2007.

Compensation Committee

Pursuant to the Compensation Committee Charter, the Compensation Committee must consist of at least three members, all whom must be independent and unrelated Trustees for the purposes of applicable securities laws, the rules and requirements of applicable stock exchanges. The Compensation Committee currently consists of Howard N. Rosen, Denis C. Arsenault and Jeffrey R. Renwick. Each of the current members of the Compensation Committee is considered to be independent. This determination was made by the Board of Trustees upon inquiring into each member’s activities and relationships with the Fund and Alliance.

The purpose of the Compensation Committee is to assist the Board of Trustees in fulfilling its responsibilities relating to matters of human resources and compensation, including equity compensation, and to establish a plan of continuity and development of senior management. The Compensation Committee has responsibility for evaluating and making recommendations to the Board of Trustees regarding the compensation of the Fund’s executives and Trustees, the directors and officers of the Fund’s operating companies, and the compensation plans, policies and programs (including incentive compensation plans) of the Fund and its operating companies.

The Compensation Committee meets on an as-needed basis, with at least one meeting per year to consider executive compensation. In 2008, the Compensation Committee met once.

8.3 Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No trustee or executive officer of the Fund is as at the date hereof, or within the ten years prior to the date hereof has been, a director or chief executive officer or chief financial officer of any company that was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued while such trustee or executive officer was acting in the capacity as director, CEO or CFO of such company, or that was issued after the director or executive officer ceased to be a trustee, chief executive officer or chief financial officer of such company and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

No trustee or executive officer of the Fund, or other person holding a sufficient number of voting securities of the Fund to affect materially the control of the Fund, (i) is, as at the date hereof or within ten years prior to the date hereof, has been a director or executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or

instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No trustee or executive officer of the Fund is, as at the date hereof, or within the ten years prior to the date hereof has been, subject to any penalties or sanctions imposed by a court or regulatory body.

8.4 Conflicts of Interest

Huseyin Arslan, a trustee and significant unitholder of the Fund, is also an owner of Arbel Pulse and Grain Industry SA (“**Arbel**”). Arbel is a diversified food processor involved in the processing and export of lentils, chickpeas, beans, bulgur wheat (cracked durum wheat), pasta, semolina and vegetable oils, based in Mersin, Turkey. The Fund’s dealings with Arbel are conducted at arm’s length and Mr. Arslan abstains from voting on any transaction of the Fund or Alliance involving Arbel at meetings of the Board of Trustees of the Fund or the board of directors of Alliance.

ITEM 9. LEGAL PROCEEDINGS

The Trustees are not aware of any material legal proceedings outstanding, threatened or pending as of the date hereof by or against the Fund or Alliance or relating to the business of Alliance.

ITEM 10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out elsewhere in this Annual Information Form, no trustee or executive officer of the Fund or other person that beneficially owns, or controls or directs directly or indirectly more than 10% of the outstanding voting securities of the Fund, or any associate or affiliate of any such person, has had any material interest in any transaction since the commencement of the Fund’s most recently completed fiscal year or within the three most recently completed financial years, which has materially affected or is reasonably expected to materially affect the Fund.

ITEM 11. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Fund is Equity Transfer and Trust Company at its principal office in Toronto, Ontario.

ITEM 12. MATERIAL CONTRACTS

There are no other contracts, other than those disclosed in this Annual Information Form and those entered into in the ordinary course of Alliance’s business, that are material to the Fund and which were entered into in the most recently completed fiscal year or which were entered into before the most recently completed fiscal year but are still in effect as of the date of this Annual Information Form.

ITEM 13. ADDITIONAL INFORMATION

Additional information relating to the Fund, including Trustees’ and officer’s remuneration and indebtedness, principal holders of the Fund’s securities and securities authorized for issuance under equity compensation plans, is contained in the Fund’s management information circular prepared in connection with the Fund’s annual meeting of Unitholders held on May 14, 2009 which will be available under the Fund’s profile on SEDAR at www.sedar.com.

Financial information is provided in the Fund's comparative financial statements and Management's Discussion and Analysis ("**MD&A**") for the financial year ended December 31, 2008, which are posted on the Fund's website, www.alliancegraintraders.com and under the Fund's profile on SEDAR. Unitholders may request, and receive free of charge, copies of such financial statements and MD&A by mailing a request to the transfer agent of the Fund, Equity Transfer & Trust Company, at 200 University Ave, Suite 400, Toronto, Ontario M5H 4H1, Fax: (416) 361-0470.

SCHEDULE A
CHARTER OF THE AUDIT COMMITTEE
OF
ALLIANCE GRAIN TRADERS INCOME FUND
(the “Fund”)

The Role of the Audit Committee

The Audit Committee has been established to assist the board of Trustees of the Fund in fulfilling its oversight responsibilities with respect to the following principal areas:

- (a) the Fund’s external audit function; including the qualifications, independence, appointment and oversight of the work of the external auditors;
- (b) the Fund’s accounting and financial reporting requirements;
- (c) the Fund’s reporting of financial information to the public;
- (d) the Fund’s compliance with law and regulatory requirements;
- (e) the Fund’s risks and risk management policies;
- (f) the Fund’s system of internal controls and management information systems; and
- (g) such other functions as are delegated to it by the Board.

Responsibilities

The Fund’s management is responsible for preparing the Fund’s financial statements and the external auditors are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of those activities by the management of the Fund and all corporations or subordinate entities owned or controlled by the Fund (“**Management**”) and external auditors, and overseeing the activities of the internal auditors.

The specific responsibilities of the Audit Committee shall include those listed below. The enumerated responsibilities are not meant to restrict the Audit Committee from examining any matters related to its purpose.

1. Financial Reporting Process and Financial Statements

The Audit Committee shall:

- (a) in consultation with the external auditors and the internal auditors, review the integrity of the Fund’s financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit steps adopted in light of material control deficiencies;
- (b) review all material transactions and material contracts entered into between (i) the Fund or any subsidiary or affiliate of the Fund, and (ii) any subsidiary, affiliate, trustee,

director, officer, insider or related party of the Fund or a subsidiary or affiliate thereof, other than transactions in the ordinary course of business;

- (c) review and discuss with Management and the external auditors: (i) the preparation of Fund's annual audited consolidated financial statements and its interim unaudited consolidated financial statements (and if such statements cannot be presented on a consolidated basis, the preparation of the annual audited and interim unaudited financial statements of the subsidiaries or and affiliates of the Fund); (ii) whether the financial statements present fairly (in accordance with Canadian generally accepted accounting principles) in all material respects the financial condition, results of operations and cash flows of the Fund or any subsidiary or affiliate of the Fund as of and for the periods presented; (iii) any matters required to be discussed with the external auditors according to Canadian generally accepted auditing standards; (iv) an audit findings report by the external auditors describing: (A) all critical accounting policies and practices used by the Fund; or any subsidiary or affiliate of the Fund (B) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with Management, including the ramifications of the use such alternative treatments and disclosures and the treatment preferred by the external auditors; and (C) other material written communications between the external auditors and Management;
- (d) following completion of the annual audit, review with each of: (i) Management; (ii) the external auditors; and (iii) the internal auditors, any significant issues, concerns or difficulties encountered during the course of the audit;
- (e) resolve disagreements between Management and the external auditors regarding financial reporting;
- (f) review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information; and
- (g) review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Fund extracted or derived from the Fund's financial statements, other than the disclosure referred to in (f), and periodically assess the adequacy of those procedures.

2. External Auditors

The Audit Committee shall:

- (a) require the external auditors to report directly to the Audit Committee;
- (b) be directly responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the Fund's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund, and in such regard recommend to the Board the external auditors to be nominated for approval by the Unitholders;
- (c) approve all audit engagements and must pre-approve the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Audit Committee may establish the types

of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Audit Committee will retain the external auditors. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services, provided that any such delegated pre-approval shall be exercised in accordance with the types of particular non-audit services authorized by the Audit Committee to be provided by the external auditor and the exercise of such delegated pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting following such pre-approval;

- (d) review and approve the Fund's policies for the hiring of partners and employees and former partners and employees of the external auditors;
- (e) consider, assess and report to the Board with regard to the independence and performance of the external auditors; and
- (f) request and review the audit plan of the external auditors as well as a report by the external auditors to be submitted at least annually regarding: (i) the external auditing firm's internal quality-control procedures; (ii) any material issues raised by the external auditor's own most recent internal quality-control review or peer review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

3. Accounting Systems and Internal Controls

The Audit Committee shall:

- (a) oversee Management's design and implementation of and reporting on internal controls. The Audit Committee shall also receive and review reports from Management, the internal auditors and the external auditors on an annual basis with regard to the reliability and effective operation of the Fund's accounting system and internal controls; and
- (b) review annually the activities, organization and qualifications of the internal auditors and discuss with the external auditors the responsibilities, budget and staffing of the internal audit function.

4. Legal and Regulatory Requirements

The Audit Committee shall:

- (a) receive and review timely analysis by Management of significant issues relating to public disclosure and reporting;
- (b) review, prior to finalization, periodic public disclosure documents containing financial information, including the Management's Discussion and Analysis and Annual Information Form;
- (c) prepare the report of the Audit Committee required to be included in the Fund's periodic filings;

- (d) review with the Fund's legal counsel legal compliance matters, significant litigation and other legal matters that could have a significant impact on the Fund's financial statements; and
- (e) assist the Board in the oversight of compliance with legal and regulatory requirements and review with legal counsel the adequacy and effectiveness of the Fund's procedures to ensure compliance with legal and regulatory responsibilities.

5. Additional Responsibilities

The Audit Committee shall:

- (a) discuss policies with the external auditor, internal auditor and Management with respect to risk assessment and risk Management;
- (b) establish procedures and policies for the following:
 - (i) the receipt, retention, treatment and resolution of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by trustees or employees of the Fund of concerns regarding questionable accounting or auditing matters or any potential violations of legal or regulatory provisions;
- (c) prepare and review with the Board an annual performance evaluation of the Audit Committee;
- (d) report regularly to the Board, including with regard to matters such as the quality or integrity of the Fund's financial statements, compliance with legal or regulatory requirements, the performance of the internal audit function, and the performance and independence of the external auditors; and
- (e) review and reassess the adequacy of the Audit Committee's Charter on an annual basis.

Resources and Authority

The Audit Committee shall have the resources and the authority to discharge its responsibilities, including the authority, in its sole discretion, to engage, at the expense of the Fund, outside consultants, independent legal counsel and other advisors and experts as it determines necessary to carry out its duties, without seeking approval of the Board or Management

Audit Committee – Proposed Fund Meeting Schedule

The Audit Committee meetings should be scheduled to cover the following:

Regular Quarterly Meetings (to be held prior to quarterly trustee Meeting)

The Audit Committee will be presented with more detailed quarterly financial information than that given to the other Trustees. Members will have the opportunity to ask questions with respect thereto.

Pre-Year End Audit/Miscellaneous Meeting

The purpose of the meeting will be to help ensure the annual audit is conducted in an efficient, cost-effective and objective manner.

The Audit Committee will review with the Auditors the scope of the current year's audit, including the areas where the auditors have identified a risk of potential error in the financial condition and/or results of operations and will review the materiality on which the audit is based.

The Audit Committee will review the control weaknesses detected in the prior year's audit, and determine whether all practical steps have been taken to overcome them.

The Audit Committee will approve the Auditor's engagement letter, including the audit fee and expenses.

Risk management could be reviewed at this meeting.

Post-Year End Audit Meeting

It is proposed that this meeting will take the following format:

- (a) Auditors to review proposed report on the financial statements;
- (b) Management to review financial statements/disclosure;
- (c) The Audit Committee is to question;
 - (i) the selection of, and changes in accounting policies, particularly those in areas that are controversial or for which there is no authoritative guidance;
 - (ii) the methods used to account for unusual or particularly significant transactions;
 - (iii) the issues on which Management has made estimates or judgements that had a significant effect on the financial statements; and
 - (iv) transactions with related parties;
- (d) Audit Committee to recommend to the Trustees the approval of the financial statements including the selection of appropriate accounting policies;
- (e) Audit Committee to inquire about changes in professional standards or regulatory requirements and recent accounting pronouncements;
- (f) Audit Committee to inquire into the major financial risks faced by the Fund, and the appropriateness of related controls to minimize their potential impact;
- (g) Review of the Auditors' "management letter" documenting weaknesses in internal control systems and commenting on other matters;
- (h) Audit Committee to meet privately with the Auditors (without any member of Management being present) to ascertain whether there are concerns that should be

brought to the committee's attention, such as: lack of cooperation of, or disagreements with, Management; adequacy of staffing in the financial areas; attempts to restrict the scope of the Auditors' examination; or significant, or potentially significant, misstatements, and any irregularities that the Auditors have discovered;

- (i) The Audit Committee is to meet privately with Management (without the Auditors being present) to ensure that Management has no concerns about the conduct of the audit and to inquire as to the experience and capabilities of the individuals being proposed to conduct the audit, their objectivity and independence;
- (j) Auditors to present invoice/following year quote; and
- (k) Audit Committee to recommend to the Trustees the appointment of the auditor for the following year.

Special Telephone Meetings may be scheduled to:

- (a) Review all prospectuses containing audited and unaudited financial information before release;
- (b) Review Management's Discussion and Analysis for consistency with the financial statements; and
- (c) Cover other items on an as needed basis.

Limitation on the Oversight Role of the Audit Committee

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Audit Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Fund from whom he or she receives financial and other information, and the accuracy of the information provided to the Fund by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Fund's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles in Canada and applicable rules and regulations. These are the responsibility of Management and the external auditors.