Village Farms Income Fund

4700–80th Street
Delta, British Columbia
V4K 3N3

Annual Information Form

For the Year Ended December 31, 2007

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FORWARD LOOKING STATEMENTS

This annual information form contains certain "forward looking statements". These statements relate to future events or future performance and reflect our expectations regarding our growth, results of operations, performance, business prospects, opportunities or industry performance and trends. These forward looking statements reflect our current internal projections, expectations or beliefs and are based on information currently available to us. In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict" , "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, you should specifically consider various factors, including, but not limited to, such risks and uncertainties as availability of resource, competitive pressures and changes in market activity, risks associated with U.S. and international sales and foreign exchange, regulatory requirements and all of the other matters discussed under "Risk Factors" and elsewhere in this annual information form. Actual results may differ materially from any forward looking statement. Although we believe that the forward looking statements contained in this annual information form are based upon reasonable assumptions, you cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this annual information form, and other than as specifically required by applicable law, we assume no obligation to update or revise them to reflect new events or circumstances.

GLOSSARY OF TERMS

"**Acquisition Agreement**" means the acquisition agreement dated as of August 23, 2006 among the Fund, U.S. Holdings and the VF Owners providing for the Transaction;

"**affiliate**" has the meaning set out in the *Securities Act* (British Columbia), as amended;

"**Amended and Restated Exchange Agreement**" means the amended and restated exchange agreement among the Fund, VF Canada and CCHI dated October 18, 2006, amending the Former Exchange Agreement, which was assigned by CCHI to CP on March 27, 2007;

"**Amended and Restated Governance Agreement**" means the amended and restated governance agreement among the Fund, HHGI and CCHI dated October 18, 2006, amending the Former Governance Agreement;

"**Annual Sales Agreement**" means the annual sales agreement between VF Canada GP, as general partner of VF Canada LP, and Village Farms, L.P., whereby VF Canada LP sells, and Village Farms, L.P. will purchase, all of VF Canada LP's produce in excess of Canadian sales volume at a predetermined price;

"**associate**" has the meaning set out in the *Securities Act* (British Columbia), as amended;

"**APDI**" means Agro Power Development, Inc., a Delaware corporation;

"**APDI Consideration**" means $20 million in cash and the Participating Preferred Shares, as paid to the Village Farms Owners;

"**Bank**" means the Canadian chartered bank referred to under "Credit Facilities";

"**BC Hot House**" means BC Hot House Foods Inc., a grower-owned corporation;

"**BCVMC**" means the British Columbia Vegetable Marketing Commission;

"**Business**" means the businesses carried on by the Fund and its subsidiaries prior to or subsequent to the completion of the Transaction, as the context requires;

"**Canada-U.S. Tax Convention**" means the Convention Between Canada and the United States of America with respect to Taxes on Income and on Capital, signed September 26, 1980, as amended;

"**Canagro**" means Canagro Produce Ltd., a Canadian corporation and the successor by amalgamation of Canagro Produce Ltd., 578689 B.C. Ltd. and Prime Produce Holdings Ltd.;

"**CBCA**" means the *Canada Business Corporations Act*, as amended;

"**CCHI**" means Canagro Century Holdings Inc., a Canadian corporation which holds all of the equity of VF Canada not held by the Fund;

"**CRA**" means the Canada Revenue Agency;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" means a participant in the CDS depository service;

"**Century Pacific**" means Century Pacific Greenhouses Ltd., a Canadian corporation and the successor by amalgamation of Century Pacific Greenhouses Ltd., Century Pacific Greenhouses Inc., Millennium Pacific Greenhouses Ltd., Century Pacific Investment Corp. and Vision VI2 Investments Inc.;

"**Class A Unit**" means the Class A unit of the Fund issued to U.S. Holdings pursuant to the Second Amended and Restated Declaration of Trust and which is indirectly controlled by the Village Farms Owners through the Designated Directors;

"**Class A Unitholder**" means a holder of a Class A Unit;

"**Class C Exchange Rights**" means the exchange rights of CP pursuant to the Amended and Restated Exchange Agreement and the Amended and Restated Governance Agreement, whereby CP has the right to exchange all of the Class C Shares that it holds at any time into Units at any time after December 23, 2008 at the Exchange Ratio;

"**Class C Shares**" means the Class C shares without par value in the capital of VF Canada, all of which are held by CP;

"**Closing**" means October 18, 2006;

"**Combination**" means the combination transaction which closed on October 18, 2006 whereby the businesses of Hot House Growers and Village Farms were combined, as further described herein under "General Development of the Fund − History";

"**Common Shares**" means the common shares without par value in the capital of VF Canada;

"**Computershare**" means Computershare Investor Services Inc.;

"**Cost of Funds Borrowing**" means a utilization of the Operating Loan or the Capital Loan in Canadian Funds with interest thereon calculated with reference to the Cost of Funds Rate;

"**Cost of Funds Rate**" means the aggregate cost to the Bank, as determined and recorded by the Bank, for the amount of the funds for the term selected, which may be for a period selected by the Borrower but expiring before the Operating Loan maturity date or the Capital Loan maturity date, as applicable, including dealer commissions and the cost of such reserve requirements as may be applicable, expressed as a percentage per annum based on a 365/366 day year;

"CP" means Canagro Produce Ltd;

"**Credit Facilities**" means credit facilities among VF Canada LP and the Bank as further described under "Credit Facilities";

"**Credit Instruments**" means Bank Guarantees and Standby Letters of Credit and "**Credit Instrument**" means any one of them;

"**Designated Directors**" means the directors of U.S. Holdings appointed by the Village Farms Owners in accordance with the Amended and Restated Certificate of Incorporation of U.S. Holdings;

"**Designated Trustee**" means the member of the board of Trustees of the Fund appointed as such by the holder of the Class A Unit at the direction of a majority of the Designated Directors and who initially shall be Michael A. DeGiglio as of the date hereto;

"**EBITDA**" means earnings before interest, taxes, depreciation, amortization, foreign currency exchange gains and losses on translation of long term debt, and unrealized gains on the changes in the value of derivative instruments and non-controlling interest;

"**Exchange Ratio**" means one Unit for every Class C Share, subject to adjustment pursuant to the terms of the Amended and Restated Exchange Agreement;

"**Exchange Rights**" means the right of holders of the Participating Preferred Shares to exchange the Participating Preferred Shares at any time for Units or the cash equivalent thereof on a one-for-100 basis, subject to adjustment in certain circumstances;

"**Exchangeable Security**" means a unit, share, note or other security issued by an issuer other than the Fund and which is convertible into or exchangeable for Unit(s) without the payment of additional consideration therefore, and any other unit, share, note or other security convertible into or exchange for Unit(s) and designated by the Trustees as an Exchangeable Security for purposes of the Seconded Amended and Restated Declaration of Trust and whether or not any such unit, share, note or other security is exchanged, converted, substituted or redeemed on condition that that the holder of such unit, share, note or other security subscribe for another unit, share, note or other security that is so convertible into or exchangeable for Units or whether such unit, share, note or other security is itself so convertible or exchangeable or is convertible or exchangeable as part of a unit consisting of such share, note or other security together with another of such unit, share, note or other security, in which case such unit is an Exchangeable Security;

"**Former Governance Agreement**" means the unanimous shareholders agreement entered into by the Fund, VF Canada and CCHI dated December 23, 2003;

"**Former Exchange Agreement**" means the exchange agreement entered into by the Fund, VF Canada and CCHI dated December 23, 2003;

"**Fund**" means Village Farms Income Fund, a trust established under the laws of British Columbia pursuant to the Declaration of Trust;

"**Governance Arrangements**" means the arrangements as contained in the constating documents of the Fund and U.S. Holdings and the Securityholders' Agreement, that were agreed upon concurrent with the completion of the Combination Transaction by the Fund, U.S. Holdings and the Village Farms Owners, providing for the governance of the Fund and its subsidiaries and establishing the respective rights of their securityholders as to board representation, approval rights in respect of certain transactions and related matters;

"**Hot House Growers**" means collectively, the Fund and Hot House Growers Inc. (renamed Village Farms Canada Inc.) as these entities existed prior to the completion of the Combination Transaction;

"**HHGI Note Indenture**" means the note indenture dated December 23, 2003 between HHGI and Computershare Trust Company of Canada as Trustee, which was terminated by VF Canada as of January 1, 2007;

"**HHGI Notes**" means the unsecured subordinated notes of HHGI bearing interest at a rate of 12.75% per annum issued pursuant to the HHGI Note Indenture;

"**Indemnifying Shareholders**" means Canagro and the previous shareholders of Century Pacific, including Stephen K. Fane and Christopher C. Woodward;

"**Liquidation Distribution**" means the distribution of VF Canada's assets upon the liquidation, dissolution or winding-up of VF Canada;

"**LTIP**" means the long-term incentive plan of VF Canada described under "VF Canada — Long Term Incentive Plan";

"**m2**" means square metres;

"**Management**" means the management of the Fund's subsidiaries who operate the Business;

"**Participating Preferred Shares**" means the participating preferred shares, par value $0.01 per share, of U.S. Holdings which are exchangeable for Units pursuant to the Securityholders' Agreement and were issued to the Village Farms Owners on the completion of the Combination Transaction;

"**Prime Rate**" means the floating annual rate of interest (based on a 365/366 day year) established and recorded by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in Canadian dollars

"**Restructuring**" means the restructuring that was part of the Combination Transaction;

"**Retained Interest**" means the retained interest of CCHI in VF Canada, comprised of Class C Shares;

"**Rights Offering**" means the rights offering made by the Fund to Unitholders pursuant to a final short form prospectus dated November 10, 2006, as required pursuant to the terms of the Subscription Agreement;

"**Second Amended and Restated Declaration of Trust**" means the declaration of trust dated November 10, 2003, as amended and restated on December 19, 2003 and as further amended and restated on October 18, 2006, pursuant to which the Fund was created, as the same may be amended or restated from time to time;

"**Securityholders' Agreement**" means the agreement that was entered into on the completion of the Combination Transaction between the Fund, VF Opco and the Village Farms Owners;

"**Special Voting Unit**" means a special voting unit of the Fund issued to the holders of Class C Shares and other securities exchangeable for Units, and which entitles such holders to one vote at any meeting of Voting Unitholders;

"**Subscription Agreement**" means the transaction support and subscription agreement dated as of August 23, 2006 among the Fund, CCHI and the VF Owners which provided for, among other things, the issuance of the Subscription Receipt by the Fund to CCHI;

"**Subscription Receipt**" means the subscription receipt issued to CCHI pursuant to the Subscription Agreement, pursuant to which CCHI was entitled to receive from the Fund a combination of cash and Units following the completion of the Rights Offering;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended;

"**Threshold Equity Interest**" means the VF Owners' interest in the Fund that exists for so long as the Class A Unit is issued and outstanding and the VF Owner Retained Interest represents 10% or more of the then-outstanding Units, including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the Village Farms Owners;

"**Trustees**" means the trustees, from time to time, of the Fund;

"**TSX**" means Toronto Stock Exchange;

"**Unitholder Meeting**" means the special meeting of Unitholders held on October 13, 2006 in Vancouver, British Columbia to consider and vote upon the unitholder resolution in connection with the Combination Transaction;

"**Unitholders**" means the holders from time to time of the Units;

"**Unitholders' Ordinary Resolution**" means a resolution passed by a majority of more than 50% of the votes cast, either in person or by proxy, at a meeting of Voting Unitholders, called for the purpose of approving such resolution, or approved in writing by the holders of more than 50% of the Voting Units, on a fully diluted basis, entitled to vote on such resolution;

"**Unitholders' Special Resolution**" means a resolution passed by a majority of not less than 66⅔% of the votes cast, either in person or by proxy, at a meeting of Voting Unitholders, called for the purposes of approving such resolution, or approved in writing by the holders of not less than 66ÿ% of the Voting Units, on a fully diluted basis, entitled to be voted on such resolution;

"**Units**" means the units of the Fund (other than the Special Voting Units);

"**U.S. Base Rate**" means the floating annual rate of interest established and recorded as such by the Bank from time to time as a reference rate for the purposes of determining rates of interest the Bank will charge on commercial loans made in Canada in U.S. Funds based on a 360 day year;

"**U.S. Holdings**" means VF U.S. Holdings Inc., a Delaware corporation;

"**VF Canada**" means Village Farms Canada Inc., corporation incorporated under the laws of Canada which, prior to the completion of the Combination Transaction and Restructuring, was named Hot House Growers Inc. and was the principal operating entity carrying on the business as it existed at that time;

"**VF Canada GP**" means Village Farms Canada GP Inc., the general partner of VF Canada LP;

"**VF Canada LP**" means Village Farms Canada Limited Partnership;

"**VF Canadian Entities**" means the Canadian-based entities of the Fund as set out under "Description of the Fund — Intercorporate Relationships";

"VFLP" means Village Farms, L.P.

"**VF Opco**" means VF Operations Canada Inc., a Canadian corporation;

"**VF Owner NSULCs**" means three Nova Scotia unlimited liability companies, each one wholly-owned by a VF Owner;

"**VF Owner Retained Interest**" means the number of Units held by the Village Farms Owners, including Units that may be acquired upon exercise of the Exchange Rights associated with the Participating Preferred Shares;

"**VF Owners**" means collectively Michael A. DeGiglio, Albert W. Vanzeyst and Kenneth S. Hollander and "VF Owner" means any one of them individually;

"**VF U.S. Entities**" means the U.S.-based entities of the Fund as set out under "Description of the Fund — Intercorporate Relationships";

"**VFOT**" means the Village Farms Operating Trust, an unincorporated open-ended limited purpose trust that was established on October 18, 2006 under the laws of British Columbia pursuant to the VFOT Declaration of Trust;

"**VFOT Declaration of Trust**" means the declaration of trust made on October 18, 2006 pursuant to which VFOT was created, as the same may be amended or restated;

"**VFOT Notes**" means the interest bearing unsecured subordinated notes of VFOT issued under a note indenture between VFOT and Computershare Trust Company of Canada dated October 18, 2006;

"**VFOT Units**" means units of VFOT;

"**Village Farms**" means, collectively, APDI and its subsidiary entities, as these entities existed prior to the completion of the Combination Transaction;

"**Village Farms Owners**" means, collectively, the Village Farms Owners and the Village Farms Owner NSULCs and their permitted transferees;

"**Voting Units**" means Units, the Class A Unit and the Special Voting Units;

"**Voting Unitholders**" means the Unitholders, the Class A Unitholder and the holders of Special Voting Units; and

"**VWAP**" means the volume weighted average of the trading price of the Units on the TSX.

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders. All dollar amounts set forth in this annual information form are in United States dollars, except where otherwise indicated.

STRUCTURE OF THE FUND

VF Canadian Entities

The head and registered office of the Fund and the other VF Canadian Entities is 4700-80th Street, Delta, British Columbia, V4K 3N3.

The Fund is an unincorporated open-ended limited purpose trust formed under the laws of the Province of British Columbia by the Second Amended and Restated Declaration of Trust. The Fund changed its name from Hot House Growers Income Fund to Village Farms Income Fund on October 19, 2006, following the combination of Village Farms and Hot House Growers (the "Combination Transaction"). See "Description of the Fund".

VF Canada, a wholly-owned subsidiary of the Fund and formerly named Hot House Growers Inc., was incorporated under the laws of Canada on December 16, 2003 and is the successor by amalgamation of Hot House Growers Inc. and Century Pacific, which amalgamation took effect on December 23, 2003. Prior to the completion of the Combination Transaction, VF Canada was the principal entity carrying on the Hot House Growers business. VF Canada changed its name from Hot House Growers Inc. to Village Farms Canada Inc. on October 19, 2006, following the Combination Transaction. See "Description of VF Canada".

VF Canada GP, a wholly-owned subsidiary of VF Canada, was incorporated under the laws of Canada on October 12, 2006 to act as the general partner of VF Canada LP and to provide administrative services to the Fund and VF Canada. See "Description of VF Canada GP".

VF Canada LP is a limited partnership established under the laws of the Province of British Columbia on October 16, 2006 to carry on the business of growing, marketing and distribution of produce and other foods and all activities, functions or operations ancillary or incidental thereto. VF Canada LP is governed by a limited partnership agreement among VF Canada GP, as general partner, and an initial, former limited partner, dated October 16, 2006, as amended or restated from time to time. VF Canada LP is one of the principal operating entities of the Fund. See "Description of VF Canada LP".

VF Opco, a wholly-owned subsidiary of VF Canada LP, was incorporated under the laws of Canada on October 5, 2006.

VFOT, a wholly-owned subsidiary of the Fund, is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia by a declaration of trust dated October 18, 2006, as amended or restated from time to time. The activities of VFOT are restricted essentially to holding investments in VF Canada LP and such other investments as the trustees of VFOT may determine, including all activities ancillary or incidental thereto. See "Description of VFOT".

VF U.S. Entities

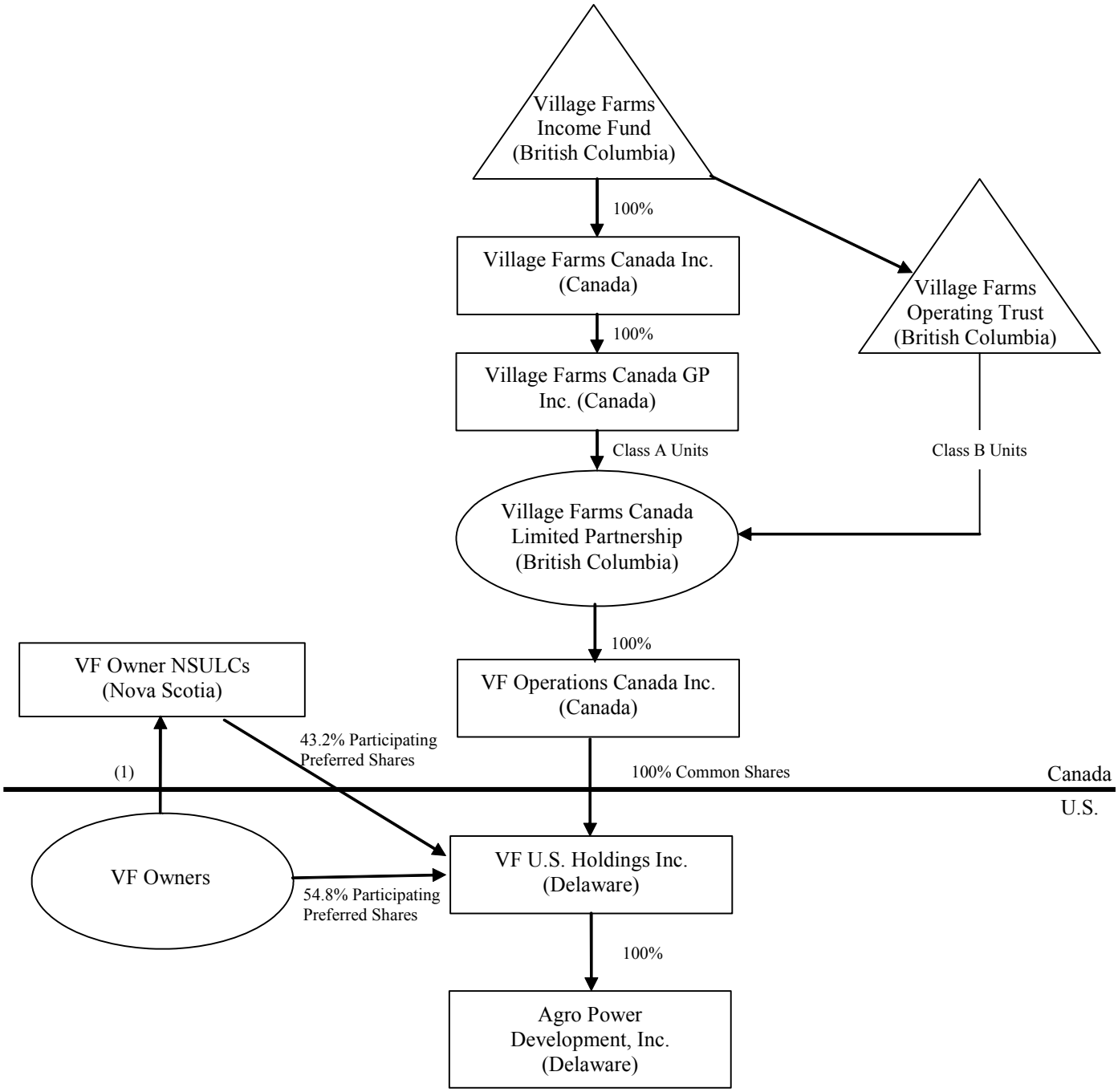
The head and registered office of the VF U.S. Entities is 7 Christopher Way, Eatontown, New Jersey, 07724.

U.S. Holdings was incorporated by the Fund under the laws of the State of Delaware on March 27, 2006 to purchase the shares of APDI as part of the Combination Transaction, and to serve as the holding company for the Fund's U.S. operating entities. VF Opco owns 100% of the common shares of U.S. Holdings, and the VF Owners, their associates and the VF Owner NSULCs collectively own 98% of the Participating Preferred Shares of U.S. Holdings.

APDI, a wholly-owned subsidiary of U.S. Holdings, was incorporated under the laws of the State of Delaware on April 13, 1998 and is the parent company of the Fund's U.S. operating entities.

Intercorporate Relationships

The following chart illustrates the structure of the Fund and its subsidiary entities (including jurisdiction of establishment/incorporation):



(1) The VF Owners own the VF Owner NSULCs indirectly through holding companies that are not shown.

GENERAL DEVELOPMENT OF THE FUND

History

The Fund completed an initial public offering of Units on December 23, 2003 (the "IPO"), and through a series of subsequent transactions acquired an interest in VF Canada. The Fund currently owns 100% of the Common Shares of VF Canada and 100% of the VFOT Notes. VF Canada LP, an indirect wholly-owned subsidiary of the Fund, carries on the greenhouse businesses formerly carried on by Hot House Growers Inc. (subsequently renamed Village Farms Canada Inc.) prior to the completion of the Combination Transaction. Hot House Growers Inc. was a greenhouse business formerly carried on by Canagro and Century Pacific and acquired with a portion of the proceeds from the IPO.

On August 23, 2006, the Fund, U.S. Holdings and the VF Owners entered into an Acquisition Agreement providing for the combination of the businesses of Village Farms and Hot House Growers. The Combination Transaction received Unitholder approval at the Unitholder Meeting on October 13, 2006 and the Combination Transaction closed on October 18, 2006. The Combination Transaction has resulted in what Management believes is the largest producer, marketer and distributor of greenhouse grown products in North America. In connection with the Combination Transaction, the Fund completed a rights offering on December 22, 2006.

As of the date hereof, the Fund currently has 11,082,305 Units issued and outstanding.

The Fund is the largest producer, marketer and distributor of premium-quality, greenhouse grown tomatoes, bell peppers and cucumbers in North America. This premium product as well as product produced under exclusive arrangements with other greenhouse producers is grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia, Texas and Pennsylvania and is marketed and distributed under its Village Farms® brand name, primarily to retail supermarkets and dedicated fresh food distribution companies. The Fund markets and distributes throughout the United States, Canada, Mexico and Japan, and currently operates seven distribution centres located across the Unites States and Canada. The Fund has always implemented a sustainable agriculture policy which integrates three main goals – environmental health, economic profitability and social and economic equality.

The Fund has operated vegetable producing greenhouses in British Columbia since 1989, and in Texas and Pennsylvania since 1992. The following chronology highlights the Fund's growth during the last three fiscal years:

- In May 2004, the BCVMC awarded VF Canada quota for an additional 110,000 m^2 (27 acres) of production. In September 2005, VF Canada completed a $27,000,000 expansion at VF Canada's greenhouse operation in Delta, British Columbia to accommodate the additional quota.

- On February 6, 2007, VF Opco was issued an agency license by the BCVMC. This approval authorized the Fund to buy and sell produce grown in British Columbia for trade. VF Canada LP terminated its prior arrangement with BC Hot House, a licensed agency, effective December 31, 2006, and VF Canada LP entered into an agreement with VF Opco to market and sell produce on behalf of the Fund since that time.

During the current financial year, it is expected that the Fund will complete further cost containment initiatives that it believes are achievable as a result of the Combination Transaction.

GREENHOUSE VEGETABLE INDUSTRY

Industry Overview

The North American Industry

The greenhouse vegetable industry in North America has experienced rapid growth over the past 17 years, particularly in the southwest regions of the United States, southwest British Columbia and southern Ontario in Canada, and concentrated areas in Mexico. Greenhouse tomato production for 2006 was 651,743 metric tons or 1.4 billion pounds.

Based on figures from 2006, Canada is the largest producer of greenhouse tomatoes, accounting for 33% of North American greenhouse tomato production, followed by Mexico and the United States at 38% and 29%, respectively. Including fresh field tomato production, however, Mexico was the leader, with an overall market share of 51%, followed closely by the United States at 44% and Canada at 5%. Greenhouse tomato production yields, measured as metric tons/hectare, were comparable in Canada and the United States, but much lower in Mexico, where only a small percentage of greenhouse operations utilize advanced hydroponic technology.

The following table illustrates greenhouse tomato production for North America in 2006 (the most recent date for which this information is available):

Item	United States	Canada	Mexico	Total North America
Greenhouse tomato production (1 thousand metric tons)	190	214	248	652
Greenhouse tomato area (hectares)	391	474	1,907	2,772
Average greenhouse tomato yield (metric tons/hectare)	480	452	130	235
Fresh field tomato production, excluding processing (1 thousand metric tons)	1,671	27	1,913	3,612
Greenhouse share of total fresh production, by country percent)	10	89	12	15

Conversion: 1 hectare = 2.471 acres; 1 metric ton = 2.205 pounds

Source: Changing Fruit and Vegetable Marketing: The Case of Greenhouse Tomatoes and Its Impact on the Fresh Field Tomato Industry, Roberta Cook, Department of Agriculture and Resource Economics, University of California – Davis, 2007.

Greenhouse Industry — United States

The majority of greenhouse vegetable producers in the United States are located in the southwestern states, where the growing conditions are ideal for winter growing operations. Producing in the winter months is advantageous as produce prices are generally higher. As a result, greenhouse vegetable producers in these areas are better able to withstand lower prices in the summer months, when high volumes from Canada inflate the North American supply.

The majority of greenhouse tomatoes produced in the United States are used for domestic consumption. In addition, the United States imports over half of its supply of greenhouse tomatoes from Canada and Mexico to meet domestic demand. Producers in the United States benefit from high yields, consistent product quality, year round supply and close proximity to its customers.

Greenhouse Industry — Canada

Among the North American greenhouse vegetable producers, Canada is the largest supplier from April to October of each year. Several factors, including climatic advantages and the proximity of greenhouse producers to consumer markets, contribute to Canada's favourable positioning relative to the United States and Mexico during that time period. The primary markets for greenhouse produce grown in British Columbia include the west and northeast regions of the United States, as well as western Canada, while the primary markets for Ontario produce include the east and central regions of the United States, as well as eastern Canada.

The strengths of the Canadian greenhouse vegetable industry include its high yields and consistent product quality. The main weakness of the Canadian greenhouse industry relates to its lack of production during the winter months. However, because of the high volume of tomatoes produced in Canada during the April to October growing season, profits generated during this time period generally are sufficient to sustain producers through the full year.

Greenhouse Industry — Mexico

Although Mexico was the last to enter the greenhouse tomato industry in North America, it already has more greenhouse tomato acreage than either the United States or Canada. However, average yields and product quality in Mexico are comparatively low, as Mexican producers employ a wide range of greenhouse technologies. Currently, Mexican producers tend to grow and market during the winter months when production levels in the rest of North America are lower and prices are higher, although the trend towards more sophisticated greenhouses is permitting certain growers to produce year round.

The main strength of the greenhouse vegetable industry in Mexico is the country' s high light levels that allow for winter production and the potential to be a year round supplier. Management believes that Mexico's industry, however, is often challenged by high heating costs, less experienced management, less developed infrastructure, higher distribution costs, inconsistent product quality and the lack of an experienced sales and marketing organization.

Pricing

Prices for vegetables fluctuate depending upon availability of supply and consumer demand. Greenhouse vegetable producers typically command a higher price for their products compared to field producers, as a result of the vegetables' consistent quality, taste, appearance and year round availability. This higher price, combined with higher production yields for greenhouse produce, typically offset the higher costs associated with greenhouse production relative to field production. Production costs for greenhouse grown produce are generally higher due to greater energy, labour, infrastructure and technological requirements.

DESCRIPTION OF THE BUSINESS

Overview

VF Canada is one of the largest producers of premium quality greenhouse tomatoes, bell peppers and cucumbers in North America. VF Canada's vegetables are grown hydroponically (without the use of soil) in a glass enclosed high technology environment using sophisticated computer systems to control irrigation, fertilizers, carbon dioxide, light, temperature, ventilation, humidity and other climatic factors. VF Canada's greenhouse vegetables are produced by plants that have been selected for their taste, quality and other characteristics and are not genetically modified.

The Fund operates an industry leading sales, distribution and marketing organization. In particular, the Fund's strategy focuses on forging strong customer relationships by servicing retailers on a year round basis, and maintaining the highest standards of food safety.

The Fund owns and operates eight greenhouse facilities in British Columbia, Texas and Pennsylvania. These regions support a vibrant greenhouse industry due to their superior growing conditions, in terms of light and temperature, when compared to other regions of North America.

Core Operating Principles

The Fund's core operating principle is to deliver fairness and satisfaction in its customer brand promise. Management strives to operate the business for optimal success by endeavouring to be:

- the leading supplier of greenhouse grown produce in North America;
- a producer of the highest quality product which adheres to the highest food safety standards;
- a low cost producer;
- a daily supplier to customers;
- a provider of excellence in customer service and logistics;
- a business with a solid balance sheet with low leverage;
- enhancing investor value through continual improvements in execution; and
- an employer with a dynamic environment in which employees can grow and prosper.

Greenhouse Facilities and Products

All of the Fund's greenhouses use state-of-the-art hydroponic technology to produce a combined estimated 138 million pounds of premium quality greenhouse tomatoes, bell peppers and cucumbers annually. All of the greenhouses are constructed of glass, aluminum and steel, and are located on land owned or leased by the Fund. The Fund continually evaluates its production facilities and has devised a planting strategy that optimizes its product mix for the 2008 growing year.

In May 2007, the Fund sold its Pitt Meadows, British Columbia greenhouse facility for net proceeds of $6,800,000. In November 2007, the Fund sold its Abbotsford, British Columbia greenhouse facility for net proceeds of $3,246,000.

The following table outlines the Fund's greenhouse facilities.

	Growing Area		
Greenhouse Facility	**Square Metres**	**Acres**	**Products Grown**
Marfa, TX (3 greenhouses)	318,460	82	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Fort Davis, TX	156,530	40	Tomatoes on-the-vine
Ringgold, PA	38,277	10	Tomatoes on-the-vine
Delta, BC (3 greenhouses)	441,168	110	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Total	954,435	242	

Village Farms embraces sustainable agriculture and environmentally friendly growing practices by:

- utilizing integrated pest management techniques that use "beneficial bugs" to control unwanted pests. The use of natural biological control technology keeps plants and their products virtually free of chemical agents. The process includes regular monitoring techniques for threat identification, development of appropriate, tailored response strategies and the execution of these strategies;
- capturing rainwater from various greenhouse roofs for irrigation purposes;
- recycling water and nutrients during the production process;

- growing plants in natural medium including coconut fibre, rock wool and wood chips as opposed to growing in the soil and depleting nutrients;
- using dedicated environmental control computer systems which monitor and control almost all aspects of the growing environment thereby maximizing the efficient use of energy.

Sales, Marketing and Distribution

Management believes that the Fund is the largest producer, marketer and distributor of premium-quality, greenhouse grown tomatoes, bell peppers and cucumbers in North America. This premium product as well as product produced under exclusive arrangements with other greenhouse producers is grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia, Texas and Pennsylvania and is marketed and distributed under its Village Farms® brand name, primarily to retail supermarkets and dedicated fresh food distribution companies. The Fund markets and distributes throughout the United States, Canada, Mexico and Japan, and currently operates seven distribution centres located across the Unites States and Canada. The Fund has always implemented a sustainable agriculture policy which integrates three main goals – environmental health, economic profitability and social and economic equality.

The Fund maintains high standards in food safety and requires the same of its exclusive contract growers, while providing on-time, effective and efficient distribution. Management strives to continually exceed the expectations of its customers by providing consistently superior product including adding new product varieties and packaging innovations.

Management believes that the Fund's distribution capabilities exceed that of any competitor in the North American greenhouse vegetable industry. With distribution centres in New York, Texas, Florida, Pennsylvania, Illinois, Washington and British Columbia the Fund can provide its customers with flexibility in purchasing. Historically, the Fund has had an on-time delivery record of 99.3%, while maintaining competitive freight rates that Management believes to be among the best in the industry.

The marketing strategy is to strategically position the Fund to be the supplier of choice for retailers offering greenhouse produce by focusing on the following:

- **Year Round Supplier.** Year round production capability of the Fund enhances customer relationships, resulting in more consistent pricing.
- **Quality and Food Safety.** Sales are made directly to retailers which ensures control of the product from seed to customer and results in higher levels of food safety, shelf life and quality control. Food safety is an integral part of the Fund's operations, and Management believes that it has lead and currently leads the industry in adopting Good Agricultural Practises. This program is modeled after the U.S. Food & Drug Administration's Good Manufacturing Practices using the Primus Labs® format and third party auditors. All the Fund's packing facilities have recently undergone successful comprehensive food safety audits by Primus Labs®.
- **Quality Packaging and Presentation.** Product is selected at a uniform size and picked at the same stage of vine ripeness. The packaging for the product is "display ready", ensuring retail customers have a full view of the product on the supermarket shelf.
- **Direct Sale to Retail Customers.** Greenhouse produce (produce grown by the Fund plus third party produce) is sold directly to supermarket chains, including Albertson's Inc., Fred Meyer, HEB Grocery Company, Loblaw Companies Limited, Market Basket, Meijer, Inc., Overwaitea Food Group, Publix Super Markets, Inc., Richfoods, Inc., Safeway Inc., Safeway Canada, Wegmans Food Markets Inc, Weis Markets, Whole Foods Market and Winco Foods LLC.
- **Excellence in Customer Service and Logistics.** Logistics and distribution capability are key factors in ensuring fresh high quality product to meet consumer demands. Management believes it has a competitive advantage through its logistics and distribution network which includes strategically located distribution centres.

Due to contractual obligations, for the period of October 18, 2006 through December 31, 2006, the Fund marketed, sold and distributed all of its Canadian grown product through BC Hot House. On February 6, 2007, the Fund was issued an agency license by the BCVMC. This approval authorizes the Fund to buy and sell produce grown in British Columbia for trade. The Fund now markets, sells, and distributes all of its products, including product sold under exclusive marketing arrangements with its Mexican greenhouse operations.

Production and Packaging Process

The production process for the Fund's Texas facilities starts in the spring and planning for the following crop year commences in the fall. Raw materials purchased by the Fund for its greenhouse operations include seeds, fertilizers and growing media purchased from several different suppliers. From April to June, the seeds purchased by the Fund are grown by independent third party contractors, which requires specialized equipment and growing space, until the plants are approximately four to six weeks old. None of the Fund's plants or products is genetically modified.

In June and July, planting occurs in the greenhouses. From August to the end of the season, plants are pruned to ensure that the optimal number of fruits and vegetables are grown on each plant. Harvesting commences in September and generally continues until June of the following year. The vegetables are vine ripened and hand-picked for optimum taste and quality. Once harvested, products are sorted by grade and weight and packed for distribution to customers. Grading lines are product specific and are highly automated. The Fund offers a variety of packaging for its tomatoes that are product and customer-specific.

The production process in Canada for vegetables is similar to the Fund's Texas operations, although the timing for growing the seeds, planting, and harvesting occur at different times during the year. The Fund's Pennsylvania facility is on a similar production schedule to the Canadian greenhouses. Specifically, from October to December, the seeds purchased by the Fund's Canadian operations are grown by independent third party contractors. In December, planting occurs in the greenhouses. Harvesting commences in March and generally continues until late November of each year. Once harvested, the Fund offers a variety of packaging for its tomatoes.

Product Development and Specialization

The Fund is engaged in ongoing testing of new technologies and advanced growing systems, including test trials of new tomato varieties to determine whether they improve product quality, taste and production yields, while lowering the cost of production. The Fund tests these tomato varieties for their maturation period, resistance to disease, the size and quality of the tomatoes as well as the tomatoes' shelf life and adaptability to seasonal changes in light. If a new variety shows promising characteristics, the Fund will conduct a commercial trial where the new variety is planted on a larger scale, with performance results compared to the Fund's existing tomato varieties.

Product Pricing

Prices for the Fund's products have historically followed a seasonal trend of higher prices during the first and fourth quarters of the crop year and lower prices in the summer months. The Fund's goal is to exceed industry average prices by continuing to develop long-term customer relationships, a favourable product mix and logistic efficiencies.

Intellectual Property

The Fund owns, and has registered in the United States, the following trademarks related to the marketing and sale of its greenhouse products: Village Farms®, Home Choice®, Baby Beefs®, From Our House To Your Home®, Hydroperfect®, Red Splendor®, Where Freshness is Always in Season® and Mini Sensations®.

Competition

The market for premium greenhouse grown produce is highly competitive. In addition to other domestic and foreign greenhouse producers, the Fund competes with producers of field grown tomatoes, that generally have prices substantially below those of greenhouse-grown tomatoes. Competition from producers in Mexico has increased due

to increased environmental compliance costs in the United States and Canada relative to Mexico and also as a result of the North American Free Trade Agreement.

The Fund's greenhouse competitors are located primarily in the United States, Canada, Mexico, the Netherlands, Spain and Israel. Three of the larger greenhouse producers competing with the Fund are Eurofresh Farms, Inc., Mastronardi Produce Ltd. and Houweling Nurseries Ltd.

Offsetting the competitive pressures faced by the Fund are substantial barriers to entry in North America related to the sizeable initial capital outlay requirements, significant ramp-up time, the need for operational expertise and capable sales, marketing and distribution abilities.

Employees

The Fund has approximately 1,200 employees and contract workers, the majority of whom are employed in the Funds' greenhouse operations. None of the employees is covered by a collective bargaining agreement. In the opinion of Management, the Fund enjoys a good working relationship with its employees.

Capital Expenditures

The Fund has made significant capital investments to increase productivity and increase facility capacity through expansion and new construction. For the past fifteen years, the Fund incurred capital expenditures of exceeding **$**150 million. For the foreseeable future, Management estimates that average annual maintenance capital expenditures will be approximately $2 million per year. This amount will consist mainly of technological upgrades and improvements to existing facilities. In addition to maintenance capital expenditures, the Fund incurs ongoing repair and maintenance costs which are expensed as incurred and therefore not included in capital expenditures. These expenses averaged $1.3 million per year during the last three fiscal years.

During 2008, management anticipates capital investment spending of approximately $2.0 million which includes an expenditure of approximately CAD$700,000 that will be used for energy screens for one of the Delta, BC facilities and which will reduce natural gas usage.

In 2002, the Fund commenced a project at its Texas greenhouse facilities to reduce fertilizer discharge and overall water consumption. The capital expenditure for this project is currently estimated to be $1.5 million of which $1.2 million has been incurred as of December 31, 2007.

Energy Management Strategy

The Fund employs the following energy management strategy:

- continue to contract for forward purchases of natural gas at favourable rates. During 2007, the Fund has secured a five year fixed purchase contract for the majority of its natural gas requirement at its Texas greenhouse facilities for prices ranging from $8.35 - $8.38 per delivered one million British thermal units ("MMBTU").

- develop techniques to reduce the use of natural gas. The Fund has installed energy screens in all of its U.S. greenhouse facilities and one of its three Canadian greenhouse facilities and has experienced a substantial reduction in gas usage. The estimated cost to install the screens in the remaining Fund's Canadian greenhouse is $2.0 million;

- continue to investigate methods to extract food grade CO_2 from the landfill gas at the Delta, British Columbia greenhouse facilities;

- continue to investigate alternate fuels, such as biomass or woodwaste; and

- continue to investigate the concept of closed greenhouses and the use of geothermal energy.

Foreign Exchange Strategy

Effective January 1, 2007 the Fund changed its reporting currency to the U.S. dollar from the Canadian dollar to more accurately represent the economic environment in which it operates. The Fund's consolidated revenue and expenses denominated in U.S. dollars increased substantially following the Combination Transaction.

For the 2008 fiscal year, it is expected that approximately 80% to 85% of the Fund's costs will be incurred in U.S. dollars, and approximately 80% to 85% of its revenues will be earned in U.S. dollars. As a result, Management believes that the Fund is benefiting from a "matching" of revenues and expenses by currency. The Fund also has the option to enter into foreign exchange contracts and foreign exchange options for the purchase of Canadian dollars in order to reduce the risks of exchange rate fluctuations affecting the level of Canadian dollar denominated distributions by the Fund.

Environmental and Regulatory Matters

Greenhouse operations in the United States are subject to numerous environmental laws and regulations, including the *Food Quality Protection Act of 1996*, the *Clean Air Act*, the *Clean Water Act*, the *Resource Conservation and Recovery Act*, the *Federal Insecticide, Fungicide and Rodenticide Act*, the *Toxic Substances Control Act and the Comprehensive Environmental Response, Compensation and Liability Act*.

The Fund's U.S. greenhouse operations are subject to regulations enforced by, among others, the Food and Drug Administration ("FDA") and the United States Department of Agriculture ("USDA"). The FDA enforces statutory standards regarding the branding and safety of food products and determines the safety of food substances in the United States. The USDA sets standards for raw produce and governs its inspection and certification. Under the *Perishable Agricultural and Commodities Act*, the USDA exercises broad control over the marketing of produce in domestic and foreign commerce, sets standards of fair conduct as to representations, sales, delivery, shipment and payment for goods, and regulates the licensing of produce merchants and brokers. The Fund's U.S. growing operations are also subject to oversight by the Environmental Protection Agency regarding the use of fertilizers and pesticides protection.

The *Natural Products Marketing (BC) Act* (the "Act") and certain federal orders issued under the *Agricultural Products Act* (Canada) give the British Columbia provincial government the authority to regulate the marketing and production of specific agricultural products. The British Columbia Marketing Board ("BCMB") was created in 1935 to supervise and regulate marketing boards and commissions created under the Act. Independent of government, the BCMB's primary mandate today is to administer the regulated marketing legislation in the public interest. The BCMB has three principal responsibilities: supervising all marketing boards and commissions; hearing appeals from organizations or persons who are dissatisfied or aggrieved by a decision of a marketing board or commission; and acting as a signatory to federal /provincial agreements that govern the marketing of some regulated products.

British Columbia Vegetable Marketing Commission

The BCVMC has responsibility for promoting and regulating the production, transportation, packing, storage and marketing of regulated vegetables in British Columbia. It also requires greenhouse growers to market through agencies licensed by the BCVMC to encourage the orderly distribution of regulated products. The BCVMC has the right to regulate the time and place at which, and to designate the agency through which, a regulated product must be produced, packed, stored, transported or marketed, and can also determine the manner of distribution, the quantity and the quality, grade or class of these products. It can also (but in the case of greenhouse tomatoes and bell peppers currently does not) set the prices at which a regulated product or a grade or class of it may be bought or sold in British Columbia

Agency and Producer Licenses

The BCVMC issues licenses to agencies and producers in British Columbia on an annual basis by way of general orders passed by the BCVMC. Licensed agencies are authorized to purchase greenhouse vegetables from licensed producers and to market those vegetables within British Columbia and for interprovincial or export trade. On February 6, 2007, VF Opco was issued an agency license by the BCVMC. This approval authorized the Fund to buy and sell produce grown in British Columbia for trade. VF Canada LP terminated its prior arrangement with BC Hot House, a licensed agency, effective December 31, 2006, and VF Canada LP entered into an agreement with VF Opco to market and sell produce on behalf of the Fund since that time.

Licensed producers, such as VF Canada LP operate the facilities in which greenhouse vegetables are produced and must be a member of an agency licensed by the BCVMC. Only producers licensed by the BCVMC can sell their products to an agency licensed by the BCVMC.

In addition to the specific regulatory requirements described above, the Fund's Canadian operations are subject to various general commercial regulations, including those relating to food safety, packaging and labelling, occupational health and safety, phyto-sanitary certificates for cross-border shipments, product source and re-call capability, and anti-bioterrorism measures for cross-border shipments.

Quota

Each year, VF Canada LP is allocated quota by the BCVMC to plant a specified number of square metres of its greenhouses with a particular crop. There are no restrictions on the amount of product that VF Canada LP can produce in its allocated quota area. The table below summarizes VF Canada LP's allocations since 2006 at the start of each year:

(square metres)	2008	2007	2006
Tomatoes on-the-vine	276,459	206,849	192,646
Beef tomatoes	98,784	98,784	101,007
Specialty tomatoes	65,317	32,663	100,903
Bell peppers	0	133,240	102,548
Cucumbers	0	45,171	44,495
Total	440,560	516,707	541,599

VF Canada LP retains the right to be allocated the same amount of quota for each subsequent crop year. However, VF Canada LP can, and often does, apply for changes in specific quota allocations to optimize product mix and improve financial returns.

DESCRIPTION OF THE FUND

Second Amended and Restated Declaration of Trust

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia pursuant to the Second Amended and Restated Declaration of Trust. The following is a summary of the material attributes and characteristics of the Units, the Class A Unit and the Special Voting Units and certain provisions of the Second Amended and Restated Declaration of Trust which does not purport to be complete. Reference is made to the Second Amended and Restated Declaration of Trust for a complete description of the Units, the Class A Unit and the Special Voting Units and the full text of its provisions.

Activities of the Fund

The Second Amended and Restated Declaration of Trust provides that the Fund is restricted to, among other things:

(a) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities of VF Canada, VFOT and any subsidiaries thereof and other corporations, partnerships, trusts and other persons involved, directly or indirectly, in the business of growing, marketing and distributing produce and other food businesses;

(b) issuing Units, the Class A Unit and the Special Voting Units and other securities of the Fund, other than additional Class A Units, (including subscription receipts, securities convertible or exchangeable or exercisable for Units, or warrants, options or other rights to acquire Units or other securities of the Fund, other than additional Class A Units), including for the purposes of: (i) obtaining funds to conduct the activities described in paragraph , including raising funds for further acquisitions; (ii) implementing Unitholder rights plans, distribution reinvestment plans, distribution reinvestment and Unit purchase plans, incentive option plans or other compensation plans, if any, established by the Fund, VF Canada or any other affiliate of the Fund; (iii) making non-cash distributions to Unitholders as contemplated by the Second Amended and Restated Declaration of Trust, including pursuant to distribution reinvestment plans, if any, established by the Fund; (iv) giving effect to the exchange or conversion rights of any Exchangeable Securities, including to the exercise of the exchange rights under the Securityholders' Agreement and the exercise of the Class C Exchange Rights under the Amended and Restated Exchange Agreement; (v) satisfying indemnification obligations pursuant to the Acquisition Agreement; and (vi) in connection with the Rights Offering;

(c) temporarily holding cash in interest bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of the Fund 's activities, including making investments or paying the expenses and liabilities of the Fund, paying amounts owing by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;

(d) issuing debt securities or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;

(e) guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of any of its affiliates or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets, including securities issued by the Fund, VF Canada or VFOT as security for such guarantee;

(f) issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by the Fund;

(g) disposing of any part of the Fund's assets;

(h) repurchasing or redeeming securities issued by the Fund, including Units, the Class A Unit and the Special Voting Units, subject to the provisions of the Second Amended and Restated Declaration of Trust and applicable law and other applicable regulatory requirements;

(i) satisfying the obligations, liabilities or indebtedness of the Fund;

(j) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Second Amended and Restated Declaration of Trust; and

(k) taking any and all actions contemplated under the Acquisition Agreement, the Securityholders ' Agreement, the Amended and Restated Exchange Agreement, the Amended and Restated Governance Agreement, the credit facilities and the New Administration Agreement;

provided that the Fund will not undertake any activity, take any action, fail to take any action, or make or retain any investment which would result in the Fund not being considered a "unit trust", "mutual fund trust" or "registered investment" for purposes of the Tax Act.

Units, the Class A Unit and the Special Voting Units

The beneficial interests in the Fund are divided into interests of three classes, described and designated as "Units", the "Class A Unit" and the "Special Voting Units", respectively. An unlimited number of Units and Special Voting Units are issuable pursuant to the Second Amended and Restated Declaration of Trust, whereas only one Class A Unit has been authorized for issuance. Each Unit is transferable and represents an equal undivided beneficial interest in any distribution 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 a termination or winding up of the Fund. 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 Voting Unitholders. Except as set out under "Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Special Voting Units are not entitled to any interest or share in the Fund, in any distribution from the Fund whether of net income, net realized capital gains or other amounts, or in the net assets of the Fund in the event of a termination or winding up of the Fund. Special Voting Units may, however, be redeemed by the holder at any time for nominal consideration.

Special Voting Units are issued in series and are only issued in connection with or in relation to Class C Shares and, if the Trustees so determine, Exchangeable Securities, in each case for the sole purpose of providing voting rights with respect to the Fund to the holders of such securities. Special Voting Units are issued in conjunction with, and will be attached to, the Class C Shares (or other Exchangeable Securities) to which they relate, and will be evidenced only by the certificates representing such Class C Shares or other Exchangeable Securities. Special Voting Units are not transferable separately from the Class C Shares (or other Exchangeable Securities) to which they are attached. Each Special Voting Unit entitles the holder thereof to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Class C Shares or other Exchangeable Security to which it is attached. Upon the exchange of a Class C Share (or other Exchangeable Security) for a Unit, the Special Voting Unit that is attached to such Class C Share (or other Exchangeable Security) will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

The Class A Unit shall entitle the Class A Unitholder to one vote per each Unit which would be issuable upon the exercise of Exchange Rights in respect of all Participating Preferred Shares then outstanding on a poll vote at any meeting of Unitholders or in respect of any written resolution of Unitholders provided that, in no event shall such votes of the Class A Unitholder exceed 45.0% of the votes attached to the Units then outstanding.

Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of Voting Unitholders.

No certificates will be issued for fractional Units and fractional Units will not entitle the holders thereof to vote. The Units are not "deposits'' within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Issuance of Units

The Second Amended and Restated Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any Unitholder rights plan or any incentive option or other compensation plan established by the Fund. Units may also be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis. The Second Amended and Restated Declaration of Trust also provides that, unless the Trustees

determine otherwise, immediately after any proportionate distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder 's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing their post-consolidation Units.

The Trustees may refuse to allow the issue or register the transfer of any Units, where such issuance or transfer would, in their opinion, adversely affect the treatment of the Fund or the entities in which it directly or indirectly invests under applicable Canadian tax legislation or their qualification to carry on any relevant business.

Trustees

The Fund is required to have a minimum of two Trustees and a maximum of ten Trustees, a majority of whom are residents of Canada within the meaning of the Tax Act. For so long as the VF Owner Retained Interest constitutes ten percent or more of the then outstanding Units on a fully diluted basis, however, there shall be four Trustees. The Trustees supervise the activities and manage the affairs of the Fund. The Trustees of the Fund as of December 31, 2007 were John R. McLernon (Chairman of the Fund), Michael A. DeGiglio, Gregory J.D. McKinstry and Christopher C. Woodward. Messrs. McLernon, DeGiglio and McKinstry are also directors of VF Canada GP. Trustees shall be appointed at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting.

The Second Amended and Restated Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Trustees are responsible for, among other things:

- supervising the activities and managing the investments and affairs of the Fund;
- acting for, voting on behalf of and representing the Fund as a shareholder of VF Canada GP, including voting for the election of the directors of VF Canada GP, subject to the Amended and Restated Governance Agreement;
- maintaining records and providing reports to Unitholders;
- effecting payments of distributable cash from the Fund to Unitholders; and
- voting in favour of the Fund's nominees to serve as directors of VF Canada GP.

Any one or more of the Trustees may resign upon 30 days' written notice to the Fund and may be removed by a resolution passed by a majority of the Voting Unitholders and the vacancy created by such removal or resignation must be filled at the same meeting, failing which it may be filled by the former Trustee or Trustees.

A quorum of the Trustees, being a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Voting Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Voting Unitholders to elect the required number of Trustees, the Trustees will forthwith call a special meeting of the Voting Unitholders to fill the vacancy. If the Trustees fail to call such meeting or if there are not Trustees then in office, any Voting Unitholder may call the meeting. The Trustees may, between annual meetings of Voting Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Voting

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 Voting Unitholders.

The Second Amended and Restated 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 duties and standard of care of the Trustees are intended to be similar to, and not to be any greater than, those imposed on a director of a corporation governed by the CBCA. The Second Amended and Restated Declaration of Trust provides that the Trustees shall be entitled to indemnification from the Fund in respect of the exercise of their powers and the discharge of their duties provided that they acted honestly and in good faith with a view to the best interests of the Fund.

The Second Amended and Restated Declaration of Trust provides that the Trustees are not 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 properly executed; for any depreciation of, or loss to, the Fund incurred by reason of the sale of any asset; for the loss or disposition of money or securities; or for any action or failure to act of any other person to whom the Trustees have delegated any of their duties under the Second Amended and Restated Declaration of Trust; 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 Second Amended and Restated 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 Second Amended and Restated 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 Second Amended and Restated 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 will not be liable for and will 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 Second Amended and Restated Declaration of Trust, the Trustees are and will be conclusively deemed to be acting as trustees of the Fund's assets and will not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Fund or the Fund's assets.

In addition, the Second Amended and Restated Declaration of Trust contains other customary provisions limiting the liability of the Trustees. Indemnification agreements may be entered into with the Trustees and officers of the Fund pursuant to which the Fund would agree to indemnify such Trustees and officers from losses, costs or damages incurred or sustained by acting in the capacity of Trustee or officer. In addition, liability insurance will be secured to cover the Trustees and officers of the Fund.

Distribution Policy

The Fund's policy is to distribute annually to Unitholders available cash provided by operations after cash required for capital expenditures, working capital reserves, growth capital reserves and other reserves considered advisable by the Trustees of the Fund. The policy allows the Fund to make stable monthly distributions to its Unitholders based on the Fund's estimate of distributable cash for the year.

The distributable cash for a month will be declared to holders of record on the last business day of such month, and will be paid on or before the last business day of the month immediately following each such month (each a " Distribution Date").

The Trustees may authorize additional distributions in excess of the aforementioned distributions during the year, as they see fit, in their sole discretion. The Second Amended and Restated Declaration of Trust provides that there will be payable to holders of Units in respect of the month ending December 31 in each year not less than such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund will not be liable for ordinary income taxes under the Tax Act in such year. Any income of the Fund that is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be

distributed to Unitholders in the form of additional Units. Those additional Units will be issued pursuant to exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. If the Trustees are of the view that it would be in the best interests of the Fund and the Unitholders to retain cash reserves for any ensuing period, then the amount of cash available for distribution may be reduced by such amount as is necessary to achieve the required cash reserves.

Holders of Units who are non-residents of Canada may be required to pay all applicable withholding taxes payable in respect of any distributions by the Fund, whether such distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in Units.

Payments of distributions on each Unit are made by the Fund to CDS or its nominee, as the case may be, as the registered holder of the Units and the Fund understands that any such cash payments are to be forwarded by CDS or its nominee, as the case may be, to the applicable CDS Participants and, in respect of any distribution of additional Units, a new global certificate that includes such Units will be delivered to, and registered in the name of, CDS or its nominee. As long as CDS or its nominee is the registered owner of Units, CDS or its nominee, as the case may be, is considered the sole owner of those Units for the purposes of receiving distributions on those Units. The responsibility and liability of the Fund in respect of the Units is limited to making distributions in respect of those Units to CDS or its nominee.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees specifying the number of Units to be redeemed. As the Units are issued in book-entry only form (the "Book-Entry Only System"), a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's applicable CDS Participant who will be required to deliver the completed redemption notice form to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(a) 90% of the "market price'' of the Units on the principal market on which the Units are quoted for trading on the trading day on which the Units were surrendered to the Fund for redemption (the "Redemption Date"); and

(b) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the trading day immediately preceding the Redemption Date.

For the purposes of this calculation, "market price" of a Unit, on any day, will be an amount equal to the weighted average of the closing price of the Units for each of the 15 consecutive trading days on which there was a closing price, commencing on the 15th trading day immediately preceding the Redemption Date. However, 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 average of the highest and lowest prices for each of the trading days on which there was a trade. Also, if there was trading on the applicable exchange or market for fewer than 10 of the 15 trading days, the "market price" shall be the average of the following prices established for each of the 15 trading days:

(c) the average of the last bid and last asking prices of the Units for each day there was no trading;

(d) the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; or

(e) the 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'' on any day will be an amount equal to:

(a) the closing price of the Units if there was a trade on such day and the exchange or market provides a closing price;

(b) the average of the highest and lowest prices of the Units if there was trading of the Units on such day and the exchange or other market provides only the highest and lowest prices of the Units traded on such day; or

(c) the average of the last bid and last asking prices of the Units if there was no trading on such day.

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 immediately following the month 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:

(a) the total amount payable by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000, provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month;

(b) 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; or

(c) 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 10 trading days during the 20-day trading period commencing immediately after the Redemption Date.

To the extent that a Unitholder is not entitled to receive cash for all Units tendered for redemption as a result of the foregoing limitations, then, the balance of such Units will be redeemed, subject to applicable regulatory approvals, by way of a distribution to such Unitholder *in specie* of a *pro rata* share of the assets of the Fund (including the Common Shares and VFOT Units if any are held by the Fund at such time). In such event, the Unitholder's *pro rata* share of VFOT Units will be redeemed by VFOT in consideration for VFOT Notes. Such VFOT Notes will be distributed *in specie* by the Fund to the redeeming Unitholder in lieu of the *pro rata* share of VFOT Units. The VFOT Notes will be issued only in integral multiples of $100. The Redemption Price payable in respect of Units tendered for redemption during any month shall, subject to receipt of all necessary regulatory approvals, be satisfied by the transfer, to or to the order of the Unitholder who exercised the right of redemption, on the last day (the "Transfer Date") of the calendar month immediately following the month in which the Units were tendered for redemption, such Unitholder's *pro rata* share of the assets of the Fund (including any Common Shares and VFOT Units (which are to be redeemed for VFOT Notes) held by the Trust at such time). The Fund shall be entitled to all distributions paid on any securities it holds and being transferred to and including the Transfer Date. Payments by the Fund of the Redemption Price are conclusively deemed to have been made upon the mailing of securities held by the Fund by registered mail in a postage prepaid envelope addressed to the former Unitholder and/or any party having a security interest in respect of the Units so redeemed. Upon such payment, the Fund shall be discharged from all liability to the former Unitholder and any party having a security interest in respect of the Units so redeemed. No fractional securities will be distributed and where the number of securities to be received by the former Unitholder includes a fraction, such number shall be rounded to the next lowest number and where the principal amount of the VFOT Notes to be received by a Unitholder includes a multiple of less than $100, the number will be rounded to the next lowest integral multiple of $100. Where the Fund makes a distribution *in specie* of a *pro rata* number of securities on a redemption of Units, the Trustees may, in their sole discretion, designate to the redeeming Unitholders any income or capital gain realized by the Fund as a result of the distribution of such securities to the Unitholder.

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

Redemption of the Class A Unit

The Class A Unit may be redeemed by the Fund, at the option of the Fund, and cancelled at any such time as (A) no Participating Preferred Shares are outstanding; and (B) none of the rights and entitlements of the Class A Unitholder under the Second Amended and Restated Declaration of Trust are applicable according to their terms.

The Class A Unitholder may require the Fund to redeem the Class A Unit at any time.

Upon the redemption of the Class A Unit pursuant to the Second Amended and Restated Declaration of Trust, the Fund will pay to the Class A Unitholder an amount equal to $10.

Repurchase of Units

The Fund is allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities laws and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases may constitute an "issuer bid" under applicable Canadian securities laws and must be conducted in accordance with the applicable requirements thereof.

Meetings of Voting Unitholders

Each Voting Unit entitles the holder thereof to one vote at all meetings of Voting Unitholders. Meetings of Voting Unitholders will be called and held annually, for the purpose of (i) the election of the Trustees, (ii) the appointment of the auditors of the Fund for the ensuing year, (iii) generally, any other matter that requires a resolution of the Voting Unitholders, and (iv) transacting such other business as the Trustees may determine or as may be properly brought before the meeting. The Second Amended and Restated Declaration of Trust, together with the Securityholders' Agreement, provides that the Voting Unitholders will be entitled to pass resolutions that will bind the Fund only with respect to:

(a) the election or removal of Trustees;

(b) the election or removal of nominees of the Fund to serve as directors of VF Canada (except filling casual vacancies);

(c) the appointment or removal of the auditors of the Fund;

(d) the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund;

(e) the approval of amendments to the Second Amended and Restated Declaration of Trust as described below under "Amendments to the Second Amended and Restated Declaration of Trust";

(f) the termination of the Fund;

(g) the sale of all or substantially all of the assets of the Fund;

(h) the exercise of certain voting rights attached to the securities of held by the Fund including securities of VF Canada and VFOT;

(i) the ratification of any Unitholder rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Second Amended and Restated Declaration of Trust requiring Voting Unitholder approval under the laws or regulations applicable to the Fund;

(j) the dissolution of the Fund prior to the end of its term; and

(k) any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Unitholders for their approval;

provided that the Voting Unitholders may not pass any resolution that would cause the Fund or VF Canada to breach the terms of the Securityholders' Agreement or the Acquisition Agreement, or cause the Fund to breach the terms of the Amended and Restated Exchange Agreement, the Amended and Restated Governance Agreement or the Subscription Agreement. No other action taken by Voting Unitholders or any other resolution of the Unitholders at any meeting will in any way bind the Trustees.

Resolutions (a) electing or removing the Trustees, (b) electing or removing nominees of the Fund to serve as directors of VF Canada (except filling casual vacancies), (c) appointing or removing the auditors of the Fund, and (d) the exercise of certain voting rights attached to the securities of held by the Fund including securities of VF Canada and VFOT, must be passed by a Unitholder's Ordinary Resolution. The balance of the foregoing matters must be passed by a Unitholders' Special Resolution.

A meeting of Voting Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned by the holders of not less than 10% of the Voting Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a proxy holder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 25% of the votes attached to all outstanding Voting Units shall constitute a quorum for the transaction of business at all such meetings. At any meeting of which quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Voting Unitholders, will be dissolved, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chairperson of the meeting, and if at such adjourned meeting a quorum is not present, the Voting Unitholders present either in person or by proxy will be deemed to constitute a quorum.

The Second Amended and Restated Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Voting Unitholders.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Second Amended and Restated Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49.9% of the fair market value of Units. The Trustees may, at any time, require declarations as to the jurisdictions in which beneficial owners of Units are resident.

If the Trustees become aware that the beneficial owners of Units representing more than 49.9% of the fair market value of Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Trustees may direct the transfer agent and registrar to make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that he or she is not a non-resident. If, notwithstanding the foregoing, the Trustees determine that a majority of the Units are held by non-residents, the Trustees may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the

Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale. The Fund may direct the registrar and transfer agent to do any of the foregoing.

Special Voting Units may not be owned by a non-resident of Canada within the meaning of the Tax Act. In the event that a holder of Special Voting Units becomes a non-resident, such holder will be deemed to have exercised his or her right of redemption in accordance with the Second Amended and Restated Declaration of Trust and such Special Voting Units will immediately be redeemed for nominal consideration.

Amendments to the Second Amended and Restated Declaration of Trust

The Second Amended and Restated Declaration of Trust may be amended or altered from time to time by a Unitholders' Special Resolution. The Trustees may, without the approval of the Voting Unitholders, make certain amendments to the Second Amended and Restated Declaration of Trust, including amendments:

(a) which are required for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund, including ensuring that the Fund continues to qualify as a unit trust or mutual fund trust, each within the meaning of the Tax Act;

(b) which, in the opinion of counsel to the Trustees, provide additional protection or added benefits for Unitholders;

(c) to remove any conflicts or inconsistencies in the Second Amended and Restated Declaration of Trust or to make minor corrections or changes which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders; and

(d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in Canadian taxation laws or policies of any governmental authority having jurisdiction over the Trustees or the Fund.

Notwithstanding the previous sentence, the Trustees may not (without approval of the Voting Unitholders) amend the Second Amended and Restated Declaration of Trust in a manner which would result in the Fund not being considered a unit trust or mutual fund trust.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on November 10, 2003. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Voting Unitholders may by a Unitholders' Special Resolution, require the Trustees to commence the termination, liquidation or wind up of the affairs of the Fund.

The Second Amended and Restated Declaration of Trust provides that, upon being required to commence the termination, liquidation or wind up of the affairs of the Fund, the Trustees will give notice thereof to the Voting Unitholders, which notice shall designate the time or times at which Voting Unitholders may surrender their Voting Units for cancellation and the date at which the register of Voting Units will be closed. After the date on which the Trustees are required to commence to wind up the affairs of the Fund, the Trustees shall carry on no activities except for the purpose of winding-up the affairs of the Fund as hereinafter provided and, for this purpose, the Trustees shall continue to be vested with and may exercise all or any of the powers conferred upon the Trustees under the Second Amended and Restated Declaration of Trust. After the date the register is closed, the Trustees shall proceed to wind

up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting Unitholders, sell and convert into money the Common Shares and VFOT Units and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. If the Trustees are unable to sell all or any of the Common Shares or VFOT Units or other assets which comprise part of the Fund by the date set for termination, the Trustees may, subject to obtaining all necessary regulatory approvals, distribute the remaining shares or other assets directly to the Unitholders in accordance with their *pro rata* interests. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall, subject to obtaining all necessary regulatory approvals, distribute the remaining part of the proceeds of the sale of the Common Shares and VFOT Units and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their *pro rata* interests.

Take-Over Bids

The Second Amended and Restated Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units on a fully-diluted basis (including Units issuable upon the exchange of all of the Class C Shares or Exchangeable Securities, pursuant to the Amended and Restated Exchange Agreement, but not including any Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units and other securities exchangeable for Units held by holders who did not accept the take-over bid on the same terms on which the offeror acquired the Units pursuant to the take-over bid.

The Second Amended and Restated Declaration of Trust provides that, if a non-exempt take-over bid from a person acting at arm's length to holders of Class C Shares (or any affiliate or associate thereof) is made for the Units, and:

(a) not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid from and after the date of first take-up of Units under the take-over bid; and

(b) either (i) the take-over bid is not for any and all Units tendered; or (ii) the take-over bid is not structured such that holders of Class C Shares can conditionally exchange those Class C Shares for Units and tender the Units received to the take-over bid conditional on take-up of the take-over bid;

then the Class C Shares will be exchangeable pursuant to the Amended and Restated Exchange Agreement at an exchange ratio equal to 110% of the exchange ratio then in effect. For example, based on a one-to-one exchange ratio, on exchange the holder of Class C Shares will receive 1.1 Units for each Unit that the holder would otherwise have received for each Class C Share. The Second Amended and Restated Declaration of Trust and the Amended and Restated Exchange Agreement include provisions to facilitate the exchange of Class C Shares for Units so that a holder of Class C Shares can exercise its rights to exchange for Units in order to tender to a take-over bid notwithstanding any subordination or other limits on the rights of a holder of Class C Shares.

Exercise of Certain Voting Rights Attached to Securities of VF Canada

The Second Amended and Restated Declaration of Trust provides that the Fund shall not vote any securities of the Fund, including the Common Shares or the VFOT Units, to authorize, among other things:

(a) any sale, lease or other disposition of all or substantially all of the Fund's assets except in conjunction with bona fide pledges or mortgages in the ordinary course of business, or in connection with guarantees of VF Canada, VFOT or any other affiliate of the Fund, or charges, pledges or liens of VF Canada or VFOT or an internal reorganization of the direct or indirect assets of the Fund as a result of which the Fund has the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization;

(b) any amalgamation, arrangement or other merger of VF Canada , VFOT or any other affiliate of the Fund with any other person, except in conjunction with an internal reorganization or the acquisition by VF Canada, VFOT or any other affiliate of the Fund of the securities of another entity;

(c) the winding-up or dissolution of VF Canada, VFOT or any other affiliate of the Fund prior to the end of the term of the Fund, except in conjunction with an internal reorganization; or

(d) any material amendment to the constating documents of VF Canada, VFOT or any other affiliate of the Fund to change the authorized capital in a manner which may be prejudicial to the Fund;

without the approval of the Unitholders by a Unitholders' Special Resolution at a meeting of Unitholders called for that purpose.

Retained Interest of the Village Farms Owners

As a result of the completion of the Combination Transaction, the Village Farms Owners hold 247,671 Participating Preferred Shares which, if exchanged for Units pursuant to the Exchange Rights, would be exchangeable for 24,767,052 Units, representing approximately 64% of the outstanding Units. The Participating Preferred Shares are exchangeable by the Village Farms Owners for freely tradeable Units of the Fund or cash as follows: (i) one-third six months after the date of the Closing of the Combination Transaction; (ii) an additional one-third 12 months after the date of the Closing of the Combination Transaction; and (iii) the remaining one-third 24 months after the date of the Closing of the Combination Transaction.

The Participating Preferred Shares carry rights to dividends from U.S. Holdings concurrently and *pro rata* with distributions by the Fund on the Units (the "Corresponding Cash Dividend"), based on the number of Units that would be owned by the Village Farms Owners assuming the exercise in full of the Exchange Rights for Units, such that each holder of Participating Preferred Shares receives dividends as if such holder were a holder of Units of the Fund (the "Preferred Distribution"), subject to certain conditions. See "Description of U.S. Holdings − Participating Preferred Shares."

So long as any Participating Preferred Shares are outstanding, U.S. Holdings shall have four directors and the holders of the Participating Preferred Shares will be entitled, voting together as a separate class, to designate at least one and up to three of the four directors of U.S. Holdings (the "Designated Directors") depending on the level of the VF Owner Retained Interest or, as described above, if any Corresponding Cash Dividends are unpaid. The Designated Directors acting at the direction of a majority of such Designated Directors are entitled to exercise all rights associated with the Class A Unit owned by U.S. Holdings.

The Class A Unit enables the holder to vote on all matters at any meeting of Unitholders on the basis of one vote for each Unit that the then-outstanding Participating Preferred Shares would be exchangeable for, assuming the exercise in full of the Exchange Rights for Units (including resolutions in writing), provided that in no event shall such voting rights represent more than a 45.0% of the voting interest in the Fund. The Class A Unit is redeemable at (i) the option of the holder thereof at any time or (ii) at the option of the Fund at any time after (A) there is no longer any Participating Preferred Shares outstanding and (B) the rights of the Class A Unit against the Fund have ceased by their terms. The redemption price will be a nominal amount. See "Description of the Fund — Class A Unit".

On the completion of the Combination Transaction, the Fund and VF Opco entered into the Securityholders' Agreement for the benefit of the Village Farms Owners. Pursuant to the Securityholders' Agreement, the Village Farms Owners are entitled to transfer their Participating Preferred Shares to VF Opco in exchange for either Units or cash pursuant to the Exchange Rights, as described below. In the event that VF Opco is unable to honour the Exchange Rights, the Fund shall direct another subsidiary entity of the Fund to satisfy the obligation to deliver Units or cash, as applicable, in connection with the exercise of the Exchange Rights (a "Fund Election"). The Fund will guarantee the performance of the obligation to honour the Exchange Rights by VF Opco or another designated subsidiary entity of the Fund, as applicable.

Pursuant to the Securityholders' Agreement, the Fund has granted to VF Opco the right to indirectly acquire Units or cash (at the option of the Fund) in exchange for securities of VF Opco (the "VF Opco Exchange Rights"). The VF Opco Exchange Rights shall be assigned by VF Opco to any other subsidiary entity of the Fund that is designated by the Fund in the event of a Fund Election. If a Village Farms Owner exercises the Exchange Rights, the Units indirectly received by VF Opco, or in the event of a Fund Election such other subsidiary entity of the Fund, upon its exercise of the VF Opco Exchange Rights will, in turn, be delivered to the Village Farms Owner exchanging the Participating Preferred Shares in exercise of its Exchange Right.

If a Village Farms Owner elects to have Participating Preferred Shares exchanged for Units, the exchanging Village Farms Owner will receive 100 Units for each Participating Preferred Share exchanged (subject to adjustment as described below).

In the event that there are any accrued and unpaid dividends with respect to the Participating Preferred Shares at any time on an exchange of Participating Preferred Shares, subject to the approval of the TSX, the exchange ratio then in effect shall be adjusted with respect to the Participating Preferred Shares so that, after giving effect to such adjustment, the Village Farms Owners shall be entitled to receive an additional number of Units upon exercise of the Exchange Rights equal to the quotient of the aggregate amount of the accrued and unpaid dividends on the Participating Preferred Shares over the market price (defined in the Securityholders' Agreement as the weighted average trading price of the Units for three trading days on the TSX ending on and including such date) per Unit at such time.

If a Village Farms Owner would otherwise be entitled to exercise a registration right (as described below) (a "Registration Cash Right") and elects to sell its Participating Preferred Shares for cash, that Village Farms Owner will receive cash in an amount equal to the gross proceeds received by the Fund from a public distribution of Units, by way of prospectus, of the number of Units which would be issued to that Village Farms Owner assuming the Exchange Rights in respect of that number of Participating Preferred Shares were exercised in full for Units, less the aggregate of (A) underwriting fees, discounts and/or selling commissions applicable to that distribution and (B) any and all applicable reasonable out-of-pocket expenses incurred by the Fund in connection with that distribution (the "Distribution Cash"). If the Village Farms Owner exercises its Exchange Rights for Units and is unable to exercise a Registration Cash Right, that Village Farms Owner will receive Units, subject to the right of the Fund, upon decision of a majority of its trustees (other than the Designated Trustee) to elect whether to deliver Units or Distribution Cash.

The number of Units to be delivered on exercise of the Exchange Rights associated with the Participating Preferred Shares will be subject to anti-dilution protections, providing for adjustments in the ratio upon the occurrence of certain events, including any distribution on Units of Units, any subdivision or consolidation of the outstanding Units, any reclassification of the Units outstanding, any capital reorganization of the Fund or reclassification of its capital stock, any consolidation, merger with or into another entity or sale, transfer or disposition of all or substantially all of the Fund's property to another person.

The exercise of the Exchange Rights by the Village Farms Owners will be subject to applicable securities laws and stock exchange requirements. The rights under the Securityholders' Agreement may be assigned by the Village Farms Owners in whole or in part in connection with a permitted transfer of Participating Preferred Shares.

Subject to the terms of the Securityholders' Agreement, the Fund has granted to the Village Farms Owners "demand" and "piggy-back" registration rights, which will enable the Village Farms Owners to require the Fund to file a prospectus (in the case of a demand registration) and otherwise assist with a public offering of Units, subject to certain limitations. In the event of a "piggy-back" offering, the Fund's financing requirements are to take priority.

Concurrently with the completion of the Combination Transaction, the Fund, U.S. Holdings and the Village Farms Owners entered into a trust agreement with Computershare Trust Company of Canada, as trustee, and U.S. Holdings (the "Trust Agreement"). The Trust Agreement provided, among other things, that each of U.S. Holdings and the Village Farms Owners agreed not to sell the Class A Unit and/or any Participating Preferred Shares, respectively, directly or indirectly, pursuant to a non-exempt takeover bid, unless a concurrent bid is made to all holders of Units. The concurrent offer must be: (i) for the same percentage of Units as the percentage of the Participating Preferred

Shares offered to be purchased from the Village Farms Owners; and (ii) the same in all material respects as the offer for the Class A Units and/or Participating Preferred Shares.

Information and Reports

The Fund furnishes, in accordance with and subject to, applicable securities laws, to Unitholders such consolidated financial statements of the Fund (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Voting Unitholders, the Trustees will provide the Voting Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Second Amended and Restated Declaration of Trust to be provided to Voting Unitholders.

VF Canada has undertaken to provide the Fund with a report of any material change that occurs in the affairs of VF Canada in form and content that it would file with the applicable securities regulatory authorities as if it were a reporting issuer and all financial statements that it would be required to file with the applicable securities regulatory authorities as if it were a reporting issuer under applicable securities laws. All such reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

In addition, VF Canada has undertaken with the securities commission or other securities regulatory authority in each of the provinces of Canada and with the Fund that for so long as the Fund is a reporting issuer under applicable securities laws, it will:

(a) issue a press release and deliver to the Fund for filing a material change report in respect of any material change in its affairs where the Fund has not issued a press release in respect of such material change;

(b) provide to the Fund the information that would be required to be included in an annual information form or any other report required to be filed with the British Columbia Securities Commission as if it were a reporting issuer under Ontario securities law; and

(c) to the extent that the Fund does not prepare consolidated financial statements including the VF Canada's results of operations, deliver to the Fund quarterly unaudited and annual audited financial statements, for filing with the securities commissions or other securities regulatory authorities in each of the provinces of Canada and delivery to the Fund's registered Unitholders and to beneficial Unitholders of the Fund in accordance with applicable securities laws;

such releases, forms, reports and statements, in each case, in the form and content that VF Canada would be required to file with the British Columbia Securities Commission if it were a reporting issuer under British Columbia securities laws. The annual information form information and other reports of VF Canada will be delivered by the Fund to its Unitholders concurrently with the annual information form or other report of the Fund for the corresponding period. The quarterly unaudited and annual audited financial statements of VF Canada will be delivered by the Fund to its Unitholders concurrently with the financial statements of the Fund for the corresponding period.

The Trustees are required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by the Trustees in Units.

In addition, VF Canada has undertaken with the securities commission or other securities regulatory authority in each of the provinces of Canada and to the Fund that it will:

(a) require each of its existing directors and senior officers, as applicable, and, promptly upon his or her assumption of office, its future directors and senior officers, to provide the securities commissions or other securities regulatory authorities in each of the provinces of Canada with an undertaking agreeing that he or she will file in respect of the Fund pursuant to applicable insider reporting requirements as if he or she were an insider of the Fund, reporting transactions in Units and securities of VF Canada; and

(b) require each present and each future principal voting securityholder of VF Canada (other than the Fund) and each director or officer of each present or future principal voting securityholder of VF Canada to provide the securities commissions or other securities regulatory authorities in each of the provinces of Canada with an undertaking agreeing that he, she or it will file in respect of the Fund pursuant to applicable insider reporting requirements as if he, she or it were an insider of the Fund, reporting transactions in Units and securities of VF Canada.

Book-Entry Only System

Registration of interests in and transfers of the Units are made only through the Book-Entry Only System administered by CDS. The Fund has delivered to CDS a global unit certificate evidencing the aggregate number of Units that are currently issued and outstanding. Units must be purchased, transferred and surrendered for redemption through a Unitholder's applicable CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon the purchase of any Units, a Unitholder will receive only a customer confirmation from their applicable CDS Participant through which the Units were purchased.

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

The Fund has the option to terminate the registration of the Units through the Book-Entry Only System in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Financial Year End

The fiscal year end of the Fund is December 31.

DESCRIPTION OF VF CANADA

General

VF Canada is a corporation incorporated under the laws of Canada, which, prior to the completion of the Combination Transaction, was the principal operating entity carrying on the Hot House Growers business. Pursuant to the restructuring that was part of the Combination Transaction (the "Restructuring "), VF Canada transferred substantially all of its assets and undertaking to VF Canada LP in exchange for Class B Units of VF Canada LP, which VF Canada then transferred to the Fund in partial repayment of the obligations owing under notes issued by VF Canada to the Fund. VF Canada is a wholly- owned subsidiary of the Fund. Following the completion of the Combination Transaction, the principal operating entity of the Fund is VF Canada LP.

Prior to the completion of the Combination Transaction, the authorized share capital of VF Canada consisted of an unlimited number of Common Shares, an unlimited number of Class A Shares and an unlimited number of Class B Shares. The Fund owned 75% of the Common Shares and CCHI owned 25% of the Common Shares and 100% of

the Class A Shares. No Class B Shares were outstanding. As part of the Restructuring, VF Canada created an unlimited number of Class C Shares and CCHI has exchanged its Common Shares and Class A Shares for Class C Shares. VF Canada then amended its capital to eliminate the Class A Shares and Class B Shares. Since the Closing, the Fund has directly owned 7,074,116 Common Shares, being 100% of the Common Shares of VF Canada and CCHI has owned, both directly and indirectly, 2,348,040 Class C Shares, being 100% of the Class C Shares outstanding. Pursuant to the Amended and Restated Exchange Agreement, the Class C Shares will be exchangeable for Units of the Fund on a one-for-one basis (subject to adjustment in certain circumstances) following December 23, 2008. Pursuant to VF Canada's constating documents, the Class C Shares will not be entitled to vote or to receive dividends, and will be entitled to $10 per Class C Share on a liquidation, dissolution or winding-up of VF Canada.

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of VF Canada Inc. and to one vote per share at such meetings (other than meetings of another class of shares of VF Canada). The Common Shares entitle the holders thereof to receive, in any year, dividends on the Common Shares as and when declared by the board of directors, provided that payment of such dividends is not prohibited under law. In the event of liquidation, holders of the Common Shares, after payment of or other proper provision for all of the liabilities of VF Canada and the payment of the amounts payable to holders of shares ranking ahead of the Common Shares, are entitled to share rateably in all remaining assets of VF Canada.

Class C Exchange Rights and Subordination

Pursuant to the Amended and Restated Exchange Agreement and the Amended and Restated Governance Agreement, CCHI has the right (the "Class C Exchange Rights'') to exchange all and not less than all of the Class C Shares held by CCHI into Units at any time after December 23, 2008 in accordance with the Amended and Restated Exchange Agreement. The number of Units issuable for each Class C Share exchanged pursuant to the exercise of the Class C Exchange Rights from time to time is one, subject to adjustment in accordance with Amended and Restated Exchange Agreement. As of March 27, 2007, CCHI assigned all of its right, title and interest in the Amended and Restated Exchange Agreement to its wholly-owned subsidiary, Canagro Produce Ltd. ("CP"). In connection therewith, CCHI also transferred all of the Class C Shares to CP.

The Class C Exchange Rights may be exercised by CP by delivering to VF Canada, in its capacity as escrow agent under the Amended and Restated Exchange Agreement, a duly completed and executed exchange notice together with certificates representing all of the Class C Shares duly endorsed in blank for transfer. Upon receipt of such certificates and notice, VF Canada will give notice of the proposed exchange to the Fund, and the Fund will cause the exchange of such Class C Shares to be completed through the formation and funding of a wholly owned subsidiary of the Fund to acquire, directly or indirectly, all of the Class C Shares held by CP in exchange for Units, on the basis of one Unit for each Class C Share acquired multiplied by the Exchange Ratio, or in any other manner as the Trustees, in their sole discretion, may determine, provided that one Unit is exchanged by the Fund for each Class C Share held by CCHI multiplied by the Exchange Ratio.

Under the Amended and Restated Governance Agreement, the Fund has the overriding right to cause CP to exchange all of its Class C Shares for Units pursuant to the procedures set out in the Amended and Restated Exchange Agreement in the event of: (i) the proposed liquidation, dissolution or winding-up of VF Canada or any other distribution of assets of VF Canada among its shareholders for the purpose of winding up its affairs; or (ii) (a) a take-over bid is made for all of the issued and outstanding Units, including the rights to the Units to be issued upon the exchange of all of the Class C Shares and (b) not less than 90% of the Units on a fully diluted basis (other than Units held on the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror or persons acting jointly or in concert" as defined in the *Securities Act* (British Columbia) at October 18, 2006) are taken up and paid for by the offeror upon the closing of the take-over bid, or upon the merger of the Fund with another entity.

The Fund has agreed with CP not to issue any Units to all or substantially all of the holders of Units by way of a distribution of Units (other than the issue of Units to holders of Units as a distribution in lieu of a cash distribution and the consolidation of Units) or to subdivide or re-divide the outstanding Units into a greater number of Units or to combine, reduce or consolidate the outstanding Units into a lesser number of Units without adjusting the number

of Units for which Class C Shares may be exchanged upon exercise of the Class C Exchange Rights in a manner determined by CP and the Trustees, acting reasonably.

If at any time while any Class C Share is outstanding there is any reclassification of the Units outstanding, any change of the Units into other units or securities or any other capital reorganization of the Fund or any consolidation, amalgamation, merger or other form of business combination of the Fund with or into any other entity resulting in a reclassification of the outstanding Units, then the Class C Exchange Rights will also be adjusted in the manner approved by the Trustees, acting reasonably, so that CP is entitled to receive, in lieu of the number of Units to which it would otherwise have been entitled, the kind and number or amount of securities that it would have been entitled to receive as a result of such event if, on the effective date thereof, it had been the registered holder of the number of Units which it would have received had all of the Class C Shares held by CP been exchanged for Units immediately before the effective date of any such transaction.

Class C Shares - Voting

Except as provided by applicable law (including the CBCA), a holder of a Class C Share, as such, is not entitled to receive notice of or to attend any meeting of the shareholders of VF Canada or to vote at any such meeting. However, pursuant to the Second Amended and Restated Declaration of Trust, holders of Class C Shares have been issued Special Voting Units of the Fund that are attached to, and are only evidenced by, the certificates representing the Class C Shares. The Special Voting Units entitle the holders thereof to vote on all votes of Voting Unitholders (including resolutions in writing) as if they were the holders of the number of Units that they would receive if all their Class C Shares were exchanged for Units pursuant to the Amended and Restated Exchange Agreement.

Distribution Policy

VFOT intends to make monthly cash distributions of its distributable cash to its common shareholders. Pursuant to the Amended and Restated Governance Agreement, no dividends will be payable on the Class C Shares.

Notes

Prior to the completion of the Combination Transaction, the Fund held HHGI Notes in the principal amount of $70,741,150 and was owed accrued interest of approximately $18,790,618. As part of the Restructuring, (i) the Fund passed an extraordinary resolution to amend the HHGI Note Indenture to permit the payment of principal amounts in advance of interest, and (ii) HHGI transferred 26,500,000 Class B Units of VF Canada LP to the Fund in partial repayment of the HHGI Notes and transferred the balance of the HHGI Notes to a subsidiary of HHGI ("HHGI Subco") in exchange for a $1 note issued by HHGI Subco, which was then repaid. HHGI Subco was subsequently wound up. In connection with this wind-up, VF Canada entered into a bill of sale (absolute) and general assignment and assumption agreement dated October 18, 2006 (the "Assignment and Assumption Agreement") whereby VF Canada agreed to receive all of the assets of HHGI Subco and that VF Canada would assume and discharge all the debts and liabilities of HHGI Subco. Under the Assignment and Assumption Agreement, the indebtedness owing by VF Canada to HHGI Subco pursuant to the HHGI Notes (being the principal amount outstanding thereunder) was extinguished in full upon the transfer and assumption contemplated therein. Following such transfer, VF Canada held the HHGI Notes in trust, as bare trustee for the Fund, in respect of the Fund's right to receive the Accrued Interest. The Fund subsequently forgave the Accrued Interest owing to it and the HHGI Note Indenture was terminated.

Liquidation, Dissolution or Winding up.

In the event of a Liquidation Distribution, the holders of the Class C Shares are entitled to receive an amount equal to $0.001 per Class C Share before any distribution of any part of the assets of VF Canada among the holders of the Common Shares. After payment to the holders of the Class C Shares of any amounts payable to them, the holders thereof shall not be entitled to share in any further distribution of assets of VF Canada. Under the Amended and Restated Governance Agreement, the Fund has the overriding call right, but not the obligation, to acquire all, but not less than all, of the Class C Shares held by CP that are the subject of a distribution of assets by VF Canada upon the liquidation, dissolution or winding up of VF Canada, in exchange for a number of Units for all the Class C Shares

equal to the number of Class C Shares held as at the date of such distribution. In the event of the liquidation, dissolution or winding-up of the Fund or any other distribution of the assets of the Fund among its Unitholders for the purpose of winding up its affairs, a holder of Class C Shares is entitled, pursuant to the Amended and Restated Governance Agreement, subject to applicable law, to participate on a *pro rata* basis with the Unitholders in the distribution of assets of the Fund through the immediate exchange of all Class C Shares and for a number of Units equal to the number of Class C Shares held as at the date of such distribution of assets of the Fund pursuant to the exchange procedures set out in the Amended and Restated Exchange Agreement.

DESCRIPTION OF VFOT

The VFOT Declaration of Trust contains provisions substantially similar to those of the Second Amended and Restated Declaration of Trust for the Fund. The principal differences between the VFOT Declaration of Trust and the Second Amended and Restated Declaration of Trust are those described below. The description below is a summary only and is qualified in its entirety by reference to the text of the VFOT Declaration of Trust and the Second Amended and Restated Declaration of Trust.

General

VFOT is an unincorporated open-ended limited purpose trust that was established upon Closing under the laws of the Province of British Columbia pursuant to the VFOT Declaration of Trust. It is a limited purpose trust and its activities are restricted essentially to holding investments in VF Canada LP and such other investments as the trustees of VFOT (the "VFOT Trustees") may determine, including all activities ancillary or incidental thereto.

Restrictions on VFOT's Trustees' Powers

The VFOT Declaration of Trust provides that VFOT Trustees may not, without a resolution passed by a majority of the votes cast at a meeting of the holders of VFOT Units:

- take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require a resolution passed by a majority of the votes cast at a meeting of the holders of VFOT Units had VFOT been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had VFOT Units been listed for trading on the stock exchanges where the Units are listed for trading; and

- subject to certain exceptions, appoint or change the auditors of VFOT.

Furthermore, the VFOT Declaration of Trust provides that the VFOT Trustees may not, without a resolution passed by at least ⅔ of the votes cast at a meeting of the holders of VFOT Units:

- take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require a resolution passed by at least two-thirds of the votes cast at a meeting of the holders of VFOT Units had VFOT been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had VFOT Units been listed for trading on the stock exchanges where the Units are listed for trading;

- amend the VFOT Declaration of Trust except in certain limited circumstances similar to those under which the Second Amended and Restated Declaration of Trust may be amended without consent of voting Unitholders;

- sell, lease or exchange all or substantially all of the property of VFOT other than in the ordinary course of business or in connection with an internal reorganization;

- authorize the termination, liquidation or winding-up of VFOT, other than at the end of the term of VFOT; or

- authorize the combination, merger or similar transaction of VFOT with any other person, except in conjunction with an internal reorganization.

Redemption Right

The VFOT Units are redeemable at any time on demand by the holders thereof upon delivery to VFOT of a duly completed and properly executed notice requiring VFOT to redeem VFOT Units, in a form reasonably acceptable to the VFOT Trustees, together with the certificates representing VFOT Units to be redeemed and written instructions as to the number of VFOT Units to be redeemed. Upon tender of VFOT Units by a holder thereof for redemption, the holder of VFOT Units tendered for redemption will no longer have any rights with respect to such VFOT Units other than the right to receive the redemption price for such VFOT Units. The redemption price for each VFOT Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C + D}{E}$$

Where:

A = the cash redemption price per Unit calculated as of the close of business on the date VFOT Units were so tendered for redemption by a VFOT Unitholder;

B = the aggregate number of Units outstanding as of the close of business on the date VFOT Units were so tendered for redemption by a VFOT Unitholder;

C = the aggregate unpaid principal of any indebtedness and any accrued liabilities of VFOT held by or owed to the Fund (including the VFOT Notes) and the fair market value of any other assets or investments held by the Fund (other than VFOT Units, VFOT Notes or any other indebtedness of VFOT held by or owed to the Fund) as of the close of business on the date VFOT Units were so tendered for redemption by a VFOT Unitholder;

D = the aggregate unpaid principal of liabilities of the Fund (prior to redemption of VFOT Units on such date) as of the close of business on the date the VFOT Units were so tendered for redemption; and

E = the aggregate number of VFOT Units outstanding as of the close of business on the date VFOT Units were so tendered for redemption by a VFOT Unitholder.

The aggregate redemption price payable by VFOT in respect of any VFOT Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the VFOT Trustees, (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose VFOT Units are to be redeemed of such aggregate amount of VFOT Notes as is equal to the aggregate redemption price payable to such holder of VFOT Units rounded down to the nearest $100, with the balance of any such aggregate redemption price not paid in VFOT Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and VFOT Notes as the VFOT Trustees shall determine in their discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which the VFOT Units were so tendered for redemption. A holder of VFOT Units whose VFOT Units are tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive VFOT Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the amount of such VFOT Notes payable to be equal to the funds otherwise payable, rounded down to the nearest $100.

The VFOT Trustees are also entitled to call for redemption, from time to time and at any time, all or part of the outstanding VFOT Units registered in the name of the holders thereof (other than the Fund) at the same redemption price as described above for each VFOT Unit called for redemption, calculated with reference to the date the VFOT Trustees approved the redemption of VFOT Units.

Distributions

VFOT intends to make monthly cash distributions of its distributable cash. The amount of cash to be distributed monthly per VFOT Unit to VFOT Unitholders will be equal to a *pro rata* share of distributions on or in respect of the units of VF Canada LP owned by VFOT and all other amounts, if any, from any other investments from time to time held by VFOT received in such period, less amounts which are paid, payable, incurred or provided for in such period in connection with: (i) administrative expenses and other obligations of VFOT; (ii) amounts that may be paid by VFOT in connection with any cash redemptions or repurchases of VFOT Units; (iii) satisfaction of its debt service obligations (principal and interest) on indebtedness, if any; and (iv) any amount that the VFOT Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of VFOT, that have been or are reasonably expected to be incurred in the activities and operations of VFOT (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of VFOT).

Such distributions will be payable to holders of record of VFOT Units on the last business day of each month and will be paid within 15 days following each month end. The cash distributions payable by VFOT are intended to be received by the Fund prior to its related cash distribution to Unitholders.

The distribution declared by the VFOT Trustees in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of VFOT for such year as is necessary to ensure that VFOT will not be liable for ordinary income taxes under the Tax Act in such year.

Any income of VFOT which is unavailable for cash distribution will, to the extent necessary to ensure that VFOT does not have any income tax liability under Part I of the Tax Act, be distributed to VFOT Unitholders in the form of additional VFOT Units. The value of each VFOT Unit so issued will be equal to the redemption price thereof. The VFOT Declaration of Trust provides that immediately after any *pro rata* distribution of VFOT Units in satisfaction of any non-cash distribution, the number of outstanding VFOT Units will be consolidated such that each holder of VFOT Units will hold after consolidation the same number of VFOT Units as the holder held before the non-cash distribution.

VFOT Notes

The following is a summary of the material attributes and characteristics of the VFOT Notes that are issuable under the VFOT Note Indenture.

VFOT Notes will be reserved by VFOT to be issued exclusively as full or partial payment of the redemption price for the VFOT Units in the event of an *in specie* payment of the redemption price for the Units redeemed by Unitholders.

The VFOT Notes are issuable in Canadian currency. VFOT Notes are issuable in denominations of $100 and integral multiples of $100. No fractional VFOT Notes will be distributed and where the number of VFOT Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number.

Interest and Maturity

Each VFOT Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and will bear interest at a market rate to be determined by the VFOT Trustees at the time of issuance thereof, payable within 15 days of the end of each calendar month that such VFOT Note is outstanding.

Payment upon Maturity

On maturity, VFOT will repay the VFOT Notes by paying to the trustee under the VFOT Note Indenture in cash an amount equal to the principal amount of the outstanding VFOT Notes which have then matured, together with accrued and unpaid interest thereon.

Redemption

The VFOT Notes will be redeemable (at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, payable in cash) at the option of VFOT prior to maturity.

Subordination

Payment of the principal amount and interest on the VFOT Notes is subordinated in right of payment to the prior payment in full of, the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness which is defined as all indebtedness, liabilities and obligations of VFOT, including guarantees granted by VFOT which, by the terms of the instrument creating or evidencing the same, is expressed to rank in right of payment in priority to the indebtedness evidenced by the VFOT Note Indenture. The VFOT Note Indenture provides that upon any distribution of the assets of VFOT in the event of any insolvency, bankruptcy, dissolution, liquidation, reorganization or other similar proceedings relative to VFOT, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the VFOT Notes are entitled to receive any payment.

The VFOT Notes are unsecured debt obligations of VFOT.

Default

The VFOT Note Indenture provides that any of the following shall constitute an event of default:

- default in repayment of the principal amount of the VFOT Notes when the same becomes due and payable and the continuation of such default for period of 60 days;
- default in payment of any interest under any of the VFOT Notes when such interest becomes due and payable and continuation of such default for a period of 30 days;
- default in the observance or performance of any other covenant or condition of the VFOT Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given to VFOT specifying such default and requiring VFOT to rectify the same;
- certain events of bankruptcy, insolvency, dissolution, liquidation, reorganization or other similar proceedings relative to VFOT and its subsidiaries; and
- the occurrence of an event of default under any indebtedness of VFOT having an outstanding principal amount of $1,000,000 or more that has caused the creditor or holder of such indebtedness to accelerate payment thereof provided such indebtedness has not been discharged in full or such acceleration has not been rescinded in 30 days.

The provisions governing an event of default under the VFOT Note Indenture and remedies available thereunder will not provide protection to the holders of VFOT Notes which would be comparable to the provisions generally found in debt securities issued to the public.

VFOT Unit Certificates

As VFOT Units are not intended to be issued or held by any person other than the Fund, registration of interests in, and transfers of, VFOT Units will not be made through the Book-Entry Only System administered by CDS. Rather, holders of VFOT Units are entitled to receive certificates therefore.

Meetings of Unitholders

An annual meeting of holders of VFOT Units may be held at such time and place as shall be prescribed for the purpose of transacting such business as the VFOT Trustees may determine or as may properly be brought before the meeting.

DESCRIPTION OF VF CANADA GP

General

VF Canada GP is a corporation incorporated under the laws of Canada on October 12, 2006 and acts as the general partner of VF Canada LP, which is the principal operating entity carrying on the Fund's Canadian operations.

Pursuant to the Governance Arrangements, the board of directors of VF Canada GP consists of the same members of the board of directors of VF Canada. See "Administration and Services Agreements — Governance Arrangements". VF Canada GP's authorized capital consists of an unlimited number of common shares. All of the issued common shares of VF Canada GP are owned by VF Canada.

DESCRIPTION OF VF CANADA LP

VF Canada LP is a limited partnership established under the laws of the Province of British Columbia on October 16, 2006. Pursuant to the Restructuring, substantially all of the assets, liabilities and undertakings of VF Canada were transferred to VF Canada LP, and it is the principal Canadian operating entity of the Fund. All of the Class A Units of VF Canada LP are owned by VF Canada GP, and all of the Class B Units of VF Canada LP are owned by VFOT.

The following is a summary of the material attributes and characteristics of the Units of VF Canada LP and certain provisions of the agreement of limited partnership of VF Canada LP between VFOT and VF Canada GP (the "Partnership Agreement"). This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Partnership Agreement.

General Partner — VF Canada GP

The general partner of VF Canada LP is VF Canada GP (the "General Partner"). VF Canada owns all of the outstanding common shares of the General Partner.

Functions and Powers of the General Partner

The General Partner has the authority to manage the business and affairs of VF Canada LP, to make all decisions regarding the business of VF Canada LP and to bind VF Canada LP in respect of any such decision. The General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of VF Canada LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in the General Partner to manage the business and affairs of VF Canada LP includes all authority necessary or incidental to carry out the objects, purposes and business of VF Canada LP, including the ability to engage agents to assist the General Partner to carry out its management obligations and administrative functions in respect of VF Canada LP.

The Partnership Agreement provides that all material transactions and agreements involving VF Canada LP (other than the agreements entered into in connection with the Combination Transaction) must be approved by the General Partner's board of directors.

Reimbursement of the General Partner

VF Canada LP will reimburse the General Partner for all direct costs and expenses incurred in the performance of its duties under the Partnership Agreement on behalf of VF Canada LP.

Admission of New Partners and Status of Partners

No new partner may be admitted as a partner without the affirmative vote or consent of all of the current partners of VF Canada LP. All of the partners of VF Canada LP, including all new parties must be, and at all time remain, residents of Canada or Canadian within the meaning of the Tax Act.

Units

The Partnership Agreement provides for the issue of partnership interests of VF Canada LP, for such consideration and on such terms and conditions as may be determined by the General Partner. VF Canada LP has issued and outstanding 26.5 million Class B Units held by VFOT and 10 Class A Units held by VF Canada GP.

Distributions

VF Canada LP has adopted a distribution policy which facilitates the implementation of the distribution policy adopted by the Fund. See "Distribution Policy". In this regard, in 2008, VF Canada LP will make monthly cash distributions equal to approximately 50% of the cash that would otherwise be available for distribution. The remaining 50% of that cash will be used to pay down debt. Distributable cash will be determined by the General Partner and will represent, in general, all of VF Canada LP's EBITDA, after:

- satisfaction of its debt service obligations (principal and interest) under credit facilities or other agreements with third parties, including amounts payable under the Credit Facilities;
- satisfaction of its general and administrative expenses, maintenance capital expenditures and other expense obligations including expenses of the Fund and its subsidiary entities that are payable by VF Canada LP;
- deduction for income and other tax obligations of VF Canada LP and any entity controlled by VF Canada LP directly or indirectly;
- paying awards under the LTIP or other incentives to management and other personnel when cash available for distribution exceeds certain specified thresholds; and
- retaining reasonable working capital or other reserves, including amounts on account of capital expenditures and reserves to stabilize distributions to the partners, as may be considered appropriate by the General Partner.

Distributions will be allocated to the partners *pro rata* based on their relative percentage partnership interests. Distributions will be made to the partners within 30 days of the end of each month. Such distributions are intended to be received by VFOT prior to its related distributions to the Fund. Distributions will be paid to the partners of record on the last day of the period in respect of which the distribution is to be paid. VF Canada LP may, in addition, make a distribution at any other time.

Allocation of Net Income and Losses

The income or loss of VF Canada LP for each fiscal year will generally be allocated to the general partner and to the limited partners *pro rata* based on their relative percentage partnership interests, in each case, for Canadian and U.S. federal income tax purposes. The amount of income allocated to a partner for both Canadian and U.S. tax purposes may exceed or be less than the amount of cash distributed by VF Canada LP to that partner.

For both Canadian and U.S. federal income tax purposes, the fiscal year end of VF Canada LP is December 31.

Limited Liability

VF Canada LP is required by the Partnership Agreement to operate in a manner so as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. The General Partner will indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the Partnership Agreement. However, since the General Partner has no significant assets or financial resources, this indemnity may have nominal value.

DESCRIPTION OF U.S. HOLDINGS

U.S. Holdings was incorporated by the Fund under the laws of the State of Delaware on March 27, 2006 to be the purchaser of the shares of APDI in the Combination Transaction, and to serve as the holding company for the Fund's U.S. operating entities.

Share Capital of U.S. Holdings

The authorized share capital of U.S. Holdings consists of 100,000 common shares and 300,000 Participating Preferred Shares. VF Canada LP indirectly owns approximately 98% of the issued and outstanding common shares of U.S. Holdings, and the VF Owners own all of the issued and outstanding Participating Preferred Shares.

Common Shares

Each common share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of U.S. Holdings and to one vote per share at such meetings (other than meetings of another class of shares of U.S. Holdings). The common shares entitle the holders thereof to receive, in any year, dividends on the common shares as and when declared by the board of directors, provided that payment of such dividends is not prohibited under law. Upon the voluntary or involuntary liquidation, dissolution or winding-up of U.S. Holdings, the holders of U.S. Holdings common shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities and subject to the prior rights of the holders of the Participating Preferred Shares and any other shares ranking senior to the common shares.

Participating Preferred Shares

Pursuant to the Securityholders' Agreement, holders of the Participating Preferred Shares are entitled to have Participating Preferred Shares exchanged in whole or in part from time to time for Units, on the basis of one hundred Units for each Participating Preferred Share (subject to adjustment in certain circumstances) or the cash equivalent, as described under "Description of the Fund — Retained Interest of the Village Farms Owners".

The Participating Preferred Shares carry rights to dividends from U.S. Holdings concurrently and *pro rata* with distributions by the Fund on the Units (the "Corresponding Cash Dividend"), based on the number of Units that would be owned by the Village Farms Owners assuming the exercise in full of the Exchange Rights for Units, such that each holder of Participating Preferred Shares receives dividends as if such holder were a holder of Units of the Fund (the "Preferred Distribution"), provided that if a Corresponding Cash Dividend is not paid when called for, then the unpaid amount of such dividend shall cumulate from the date on which the corresponding distribution on Units is paid to the holders of outstanding Units and be paid out of funds legally available therefore, on the next date on which a dividend becomes payable, or such earlier date when, as and if declared by the board of directors of U.S. Holdings. Upon a payment default of all or a portion of the Corresponding Cash Dividend, the holders of Participating Preferred Shares shall be (i) entitled to receive 150% of the Corresponding Cash Dividend that would have been payable upon the occurrence of such default and (ii) until all unpaid amounts have been paid in full, (A) entitled to receive 150% of all future Corresponding Cash Dividends and (B) to appoint three of the four directors of U.S. Holdings. The Fund is not obligated to provide funds to U.S. Holdings to enable U.S. Holdings to pay dividends on the Participating Preferred Shares. The holders of U.S. Holdings common shares shall only be entitled to distributions if the holders of Participating Preferred Shares have received the Preferred Distribution. In

the event of the winding up, dissolution or liquidation of U.S. Holdings, the Participating Preferred Shares are entitled to distributions, out of the assets available therefore, in an amount equal to the value of the Participating Preferred Shares, based on the number of Units that would be held by the Village Farms Owners assuming the exercise in full of the Exchange Rights for Units and the weighted average trading price of the Units on the TSX for the three trading days ending on and including the date of winding up, dissolution or liquidation, plus any accrued and unpaid dividends on the Participating Preferred Shares.

The holders of Participating Preferred Shares will not be entitled to vote at a meeting of shareholders other than with respect to matters as to which the holders of Participating Preferred Shares are entitled by law to vote as a class or series, and provided that the affirmative vote or written consent of the holders of at least a majority of the outstanding Participating Preferred Shares, voting as a single class, is required to: (i) amend the rights, preferences, privileges or powers of the Participating Preferred Shares in any manner that adversely affects such holders including by way of merger or consolidation and including any changes to matters relating to the Class A Unit and rights with respect hereto; (ii) increase or decrease the number of authorized or issued Participating Preferred Shares (or any securities convertible into or exchangeable for any additional Participating Preferred Shares); (iii) authorize, create (by way of reclassification or otherwise) or issue any class or series of capital stock which ranks senior to or on parity with the Participating Preferred Shares with respect to voting, the payment of dividends, redemptions or distributions upon liquidation or otherwise (including, without limitation, any securities convertible into or exchangeable for any shares of such class or series of capital stock); (iv) amend, repeal or alter U.S. Holdings' Amended and Restated Certificate of Incorporation or By-laws in a manner that adversely affects such holders; or (v) change the size of the board of directors or the voting rights of the directors.

Further, so long as any Participating Preferred Shares are outstanding, the holders of the Participating Preferred Shares will be entitled, voting together as a single class, to designate one or more directors of U.S. Holdings who are entitled to vote, and to enforce the rights under, the Class A Unit held by U.S. Holdings on all matters. See "Description of the Fund — Retained Interest of the Village Farms Owners" and "Administration and Services Agreements — Governance Arrangements".

The holders of the Participating Preferred Shares are also subject to the transfer restrictions as set forth in the Amended and Restated Certificate of Incorporation.

Distribution Policy

Since the completion of the Combination Transaction, U.S. Holdings has adopted a distribution policy which facilitates the implementation of the distribution policy adopted by the Fund. See "Distribution Policy". In 2008, U.S. Holdings intends to pay monthly dividends on the U.S. Holdings common shares and the Participating Preferred Shares to facilitate payment of distributions on the Units and corresponding distributions on the Participating Preferred Shares. Available cash will be determined by the board of directors and will represent, in general, all of U.S. Holdings' EBITDA, after:

- satisfaction of its debt service obligations, if any, under credit facilities or other agreements with third parties; and
- satisfaction of any of its obligations under the Securityholders' Agreement;

subject to retaining such reasonable working capital or other reserves, including amounts on account of capital expenditures and reserves to stabilize distributions, as may be considered appropriate by its board of directors. Such distributions will be paid on the last business day of the following month and are intended to be received by VF Opco prior to its related cash distribution to the Fund.

DESCRIPTION OF APDI

APDI is incorporated under the laws of the State of Delaware and is the parent company of the Fund's U.S. operating entities. Since the completion of the Combination Transaction, APDI became a wholly-owned subsidiary of U.S. Holdings.

CREDIT FACILITIES

Canadian Credit Facilities

The following summary describes the provisions of the Credit Facilities among VF Canada LP (the "Borrower") and a Canadian chartered bank (the "Bank"). This summary does not purport to be a complete description of the Credit Facilities. Since the closing of the Combination Transaction on October 18, 2006, the Credit Facilities replaced the previous credit facilities of VF Canada. The Credit Facilities include (i) a revolving variable rate operating loan of up to $12,000,000 with a term of 364 days (the "Operating Loan"), (ii) a non-revolving variable rate capital loan of up to $64,500,000 which matures on October 31, 2011 (the "Capital Loan"), (iii) an interest rate swap facility with respect to interest payable under the Capital Loan (the "Interest Rate Swap Facility"), and (iv) a foreign exchange contracts facility for the purchase and/or sale of U.S. funds (the "FX Facility"). Interest payable on Canadian funds borrowed under the Operating Loan and the Capital Loan is calculated by way of one or more of Prime Rate borrowings, Credit Instrument borrowings, (CAD$) bankers' acceptances borrowings, Cost of Funds Borrowing, or any combination thereof. Interest payable on U.S. funds borrowed under the Operating Loan and the Capital Loan is calculated by way of one or more of U.S. Base Rate borrowings, Credit Instrument borrowings, (US$) bankers' acceptances borrowings, LIBOR borrowings, or any combination thereof. The Operating Loan is subject to annual renewal by the Bank. Subject to acceleration upon an event of default, the outstanding balance of the Capital Loan will be repayable by way of 48 equal monthly instalments of principal and interest (based on an amortization of the Capital Loan in full over a period 20 years), commencing October 31, 2007 (until which date only interest is payable), with the balance of the Capital Loan and all unpaid accrued interest to be paid in full on October 31, 2011. The Credit Facilities contain restrictive covenants that prevent the Fund from distributing cash to Unitholders if such a distribution would cause the Fund to breach the financial covenants of the Operating Loan. As of the date hereof, approximately $45 million remains outstanding in respect of the Capital Loan**,** and no borrowings remain outstanding in respect of the Operating Loan and the FX Facility, respectively. The debt which comprises the Credit Facilities is, in all cases, senior in priority to the securities of VF Canada LP indirectly held by the Fund.

As security for the borrowings, VF Canada LP has provided, among other things, promissory notes, a first mortgage on certain of the greenhouse properties, and general security agreements over its assets. The borrowings are subject to certain positive and negative covenants customary for loans on terms similar to the Credit Facilities. VF Canada and certain of its direct and indirect subsidiaries, including APDI, have provided full recourse guarantees of the Credit Facilities and have granted security therefore.

In January 2005, VF Canada and the Fund obtained a variable rate $30 million U.S. dollar hedging facility. As of December 31, 2007, no borrowings remain outstanding in respect of the FX Facility.

United States Credit Facilities

VFLP, a wholly-owned subsidiary of APDI, is party to a credit agreement (the "VF Loan Agreement"), with a U.S. bank (the "U.S. Bank") providing for a term loan facility and a revolving line of credit, which is available for drawing (subject to availability). VFLP has entered into a commitment letter (the "Commitment Letter") to amend the VF Loan Agreement. This amendment closed on December 1, 2006. The following summary describes the provisions of the VF Loan Agreement and the Commitment Letter. This summary does not purport to be a complete description of the VF Loan Agreement or the Commitment Letter.

The term loan facility was originally entered into for a committed amount of $23.05 million, with the outstanding principal repayable on the basis of $825,000 per quarter. As of December 31, 2007, the term loan facility was fully drawn, with approximately $16.1 million outstanding. Under the Commitment Letter, amortization will change to a 10-year schedule, with quarterly principal payments of $475,000 commencing in March 2007 (for the previous two quarters, only interest will be payable), and the maturity date of the term loan facility will be June 20, 2016. The term may be renewed beyond such date only upon amendment of the facility. Renewal of the facility would not impact the ability of the Fund's U.S. entities to make distributions. As of July 2, 2006, borrowings under the term loan facility are subject to fixed rates of interest, on varying principal amounts, ranging from 6.05% to 6.206%, with

expiration dates between six months and two and one-half years. The total fixed portion of the term loan facility is $13.1 million. The interest rate on the unfixed portion is LIBOR plus 2.50%. Pursuant to the terms of the Commitment Letter, interest on the term loan will be, at VFLP's option, 7-day LIBOR plus the applicable margin, LIBOR plus the applicable margin or a quoted fixed rate. The applicable margin will be based on VFLP's ratio of long-term debt to adjusted equity.

VFLP also has a $5.0 million revolving line of credit with the U.S. Bank. The revolving line of credit terminates on December 31, 2008 (which was amended under the Commitment Letter to be September 30, 2007), renewable annually. The term may be renewed beyond such date only upon amendment of the facility. Renewal of the facility would not impact the ability of the Fund's U.S. entities to make distributions. The interest rate is LIBOR plus 2.25%. There were no borrowings outstanding under the revolving line of credit as of the date hereof.

APDI and its wholly-owned subsidiary, Village Farms of Delaware, L.L.C., have guaranteed the obligations under the VF Loan Agreement, and the borrowings are secured by a first lien and security interest in all of the assets of VFLP, APDI and Village Farms of Delaware, L.L.C., accordingly, such obligations rank senior to the securities of VF Canada LP indirectly held by the Fund. The VF Loan Agreement requires VFLP to satisfy certain affirmative and negative covenants including a minimum debt service coverage and current ratio. In addition, under the Commitment Letter VFLP will be permitted to declare and pay distributions of up to 50% of distributable income as defined therein. As at December 31, 2007 and the date hereof, VFLP was in compliance with all covenants.

ADMINISTRATION, SERVICES AND EMPLOYMENT AGREEMENTS

Governance Arrangements

Concurrent with the completion of the Combination Transaction, the Fund, U.S. Holdings and the VF Owners agreed to a series of provisions contained in the constating documents of the Fund and U.S. Holdings and the Securityholders' Agreement, providing for the governance of the Fund and its subsidiaries and establishing the respective rights of their securityholders as to board representation, approval rights in respect of certain transactions and related matters (the "Governance Arrangements").

The Governance Arrangements provide for the composition of the board of Trustees and the board of directors of VF Canada, VF Canada GP and U.S. Holdings and create obligations for the parties to nominate and/or vote for the election of certain representatives to those boards. The Governance Arrangements also prescribe the establishment of specified committees of those boards and their respective mandates, as well as the composition of those committees. See "Trustees, Directors and Management — Board Committees".

Governance of the Fund

The Governance Arrangements initially provide for a four- member board of Trustees. The current members of the Fund's board of Trustees are John R. McLernon, Christopher C. Woodward, Gregory J.D. McKinstry and Michael A. DeGiglio, who will hold office until the annual general meeting of the Fund in 2008. Thereafter, for so long as the Class A Unit is issued and outstanding and the Village Farms Owner Retained Interest represents 10% or more of the then-outstanding Units, (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the Village Farms Owners) (the "Threshold Equity Interest"), the number of members of the board of Trustees will be set at four and will be constituted as follows:

- one member (the "Designated Trustee") will be appointed by the holder of the Class A Unit at the direction of a majority of the Designated Directors; and

- three members will be elected by Unitholders, including the holder of the Class A Unit (subject to the voting limitation on the Class A Unit as further discussed in "Description of the Fund — Class A Unit"), with the governance and nominating committee of the Fund's board of Trustees proposing nominees to be elected.

The three members of the board of Trustees elected by Unitholders, including the holder of the Class A Unit, must be independent of the Fund and residents of Canada. The Designated Trustee will be appointed in accordance with the Second Amended and Restated Declaration of Trust and will not be elected or subject to removal or replacement by the Unitholders, other than the holder of the Class A Unit.

The Fund's nominees for election as Trustees at each general meeting of Unitholders will be determined in accordance with the foregoing provisions and will be set out in the Fund's proxy solicitation materials for such meeting. The Village Farms Owners' rights to board of Trustee representation will be determined annually and in conjunction with the preparation of such proxy solicitation materials and will remain in effect until the next following annual general meeting of Unitholders notwithstanding any intervening change in this direct or indirect ownership interest in the Fund.

For so long as the Class A Unit is issued and outstanding and the Village Farms Owner Retained Interest represents less than 10% but not less than 5% of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the Village Farms Owners), the holder of the Class A Unit will be entitled to appoint a non-voting observer to meetings of the board of Trustees who will be entitled to receive notice of and attend all meetings of Trustees and to receive all board materials relating to such meetings.

Governance of VF Canada

For so long as the Class A Unit is issued and outstanding and the VF Owners hold the Threshold Equity Interest, the number of members of the board of directors of VF Canada will be set at seven.

The Designated Trustee's right to appoint directors to the board of VF Canada will depend on the level of the VF Owner Retained Interest. The Designated Trustee will be entitled to appoint three directors as long as the VF Owner Retained Interest represents 30% or more of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the VF Owners); two directors as long as the VF Owner Retained Interest represents at least 20% but less 30% of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the VF Owners); one director as long as the VF Owner Retained Interest represents at least 10% but less than 20% of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Ordinary Units held by the VF Owners); and no directors if the VF Owner Retained Interest represents less than 10% of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the VF Owners). A majority of the members of the board of directors of VF Canada will be residents of Canada and independent of the Fund. For so long as the VF Owner Retained Interest represents at least 5% but less than 10% of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the VF Owners), the Designated Trustee will be entitled to appoint a non-voting observer to the meetings of the board of directors of VF Canada and such non-voting observer shall be entitled to receive notice of and attend all board meetings and to receive all materials relating to such meetings. Only the Designated Trustee can remove and replace directors of VF Canada appointed by it.

Governance of VF Canada GP

Pursuant to the Governance Arrangements, so long as the Village Farms Owners hold the Threshold Equity Interest, the board of directors of VF Canada GP will consist of the same members of the board of directors of VF Canada.

Governance of U.S. Holdings

For so long as any Participating Preferred Shares are outstanding, the number of members of the board of directors of U.S. Holdings will be set at four.

The right of the holders of Participating Preferred Shares to appoint directors to the board of U.S. Holdings will depend on the level of the Village Farms Owner Retained Interest and if any Corresponding Cash Dividends are unpaid. The holders of Participating Preferred Shares will be entitled to appoint three directors as long as the Village Farms Owner Retained Interest represents 50% or more of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the Village Farms Owners); two directors as long as the Village Farms Owner Retained Interest represents at least 30% but less than 50% of the then- outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the Village Farms Owners); and one director as long as the Village Farms Owner Retained Interest represents less than 30% of the then-outstanding Units (including Units that may be acquired upon exercise of the Exchange Rights and upon exercise of any options or rights to acquire Units held by the Village Farms Owners). The Participating Preferred Shares will carry rights to dividends from U.S. Holdings concurrently and *pro rata* with distributions by the Fund on the Units, the Corresponding Cash Dividend. See "Retained Interest of the Village Farms Owners". Upon any payment default of all or a portion of the Corresponding Cash Dividends holders of the Participating Preferred Shares shall be entitled to appoint three of the four directors of U.S. Holdings until all unpaid Corresponding Cash Dividends have been paid. A majority of the members of the board of directors of U.S. Holdings will not also be Trustees and will be Non-residents of Canada. The holders of the Participating Preferred Shares shall have the sole right to remove and replace any of the Designated Directors.

Governance of Other Subsidiaries

For so long as the Village Farms Owners hold the Threshold Equity Interest, the Fund shall cause each of its subsidiaries (other than VF Canada, VF Canada GP and U.S. Holdings) to have only nominee trustees, managers and directors, as applicable.

Committees

For so long as the Village Farms Owners hold the Threshold Equity Interest, the Designated Trustee shall be entitled, subject to Canadian securities laws, to appoint one member on all committees of the board of trustees or directors, as applicable, of the Fund and its subsidiaries, other than the audit committee and the compensation and corporate governance committee of the Fund, VF Canada and VF Canada GP, provided that a majority of members of all committees of the Fund shall be residents of Canada.

Restrictions on Extraordinary Matters

For so long as the Village Farms Owners hold the Threshold Equity Interest, the Fund will not, without the prior consent of the Designated Trustee, and the Fund will ensure that VF Canada and the other subsidiaries of the Fund will not, without the prior consent of a majority of the directors of VF Canada appointed by the Designated Trustee, take any of the actions set forth below:

- enter into any merger, consolidation, business combination, joint venture or other material corporate transaction;
- sell, assign, convey or otherwise dispose of all or substantially all of its assets;
- adopt any plan or proposal for a complete or partial liquidation or dissolution or any reorganization or recapitalization or commence any case, proceeding or action seeking relief under any existing or future laws relating to bankruptcy, insolvency, conservatorship or relief of debtors;
- consummate an acquisition (asset or stock) with a purchase price exceeding at the time of entering into a legally binding acquisition agreement 50% of the market capitalization of the Fund on a fully diluted basis;
- take, or permit to be taken, any action that would prevent its business, as it currently exists, from continuing on an ongoing basis;

- modify, amend or take any action in contravention of the Amended and Restated Declaration of Trust, its organizational documents or the Securityholders' Agreement, including without limitation, any term of the Participating Preferred Shares; or

- agree or commit to any of the foregoing.

See "Risk Factors — Risks Relating to the Fund — Control of the Business".

Long-Term Incentive Plan

VF Canada LP has adopted a long-term incentive plan (the "LTIP") in which trustees, directors, officers and employees of the Fund and its subsidiaries are eligible to participate. Pursuant to the LTIP, VF Canada LP will set aside a pool of funds based upon the amount by which the Fund's per Unit distributable cash exceeds certain per Unit distributable cash threshold amounts. The pool of funds will be notionally invested in Units of the Fund by dividing the amount allocated to each participant by the fair market value of the Units on the relevant distribution date. On the date of vesting, each notional unit will be redeemed by the payment of cash equal to the then fair market value of the Units. Participants will also be credited with the value of distributions by the Fund on notional units. The purpose of the LTIP is to provide eligible participants with compensation opportunities that encourage ownership of Units, enhance the ability of the Fund to attract, retain and motivate key personnel, and reward plan participants for significant performance and associated per Unit cash flow growth to the Fund.

The LTIP will provide for awards that may be earned based on the amount by which distributable cash exceeds a base distributable cash threshold per Unit per annum. The percentage amount of that excess which forms the LTIP incentive pool will be determined in accordance with the table below:

Percentage by which Distributable Cash per Unit Exceeds Base Distributable Cash Threshold	Maximum Portion of Excess Distributable Cash Available for LTIP Payments[1]
0 to 5%	0%
Over 5% to 10%	10% of any excess over 5% to 10%
Over 10% to 20%	20% of any excess over 10% to 20%
Greater than 20%	25% of any excess over 20%

(1) Annualized for fiscal periods of less than 12 months.

The base distributable cash threshold will be established and adjusted by the compensation and corporate governance committee of VF Canada GP's board of directors. That committee may also in the future establish other incentive-based compensation plans, and will also have the discretion to adjust the awards in the event of a material change to the capital structure of the Fund, a significant acquisition or a similar event.

RISK FACTORS

The risks and uncertainties described below are not the only risks and uncertainties facing the Fund. Additional risks and uncertainties not currently known to Management or that Management currently deems immaterial also may impair the operations of the Fund. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for distribution to our Unitholders, could suffer.

Risks Relating to the Fund

Product Pricing

The greenhouse vegetable industry is highly competitive and sensitive to changes in the price of greenhouse tomatoes, bell peppers and cucumbers. The price of greenhouse produce is affected by many factors including

supply and demand, negotiations between buyers and sellers, quality and general economic conditions, all of which could have a material adverse effect on the financial condition of the Fund. Demand for the Fund's products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health related concerns and public reaction to food spoilage or food contamination issues. General supply of tomatoes, bell peppers and cucumbers is subject to fluctuations relating to weather, insects and plant disease. There can be no assurance that consumption will continue to increase or that present consumption levels will be maintained. If consumer demand for greenhouse produce stops growing or decreases, the Fund's financial condition and results of operations may be materially adversely affected.

Maintain Profitability

The Fund's ability to continue to generate comparable net earnings is based, in part, on its ability to maintain its low cost structure to sustain its EBITDA margins. These margins are dependent upon the Fund's ability to continue to profitably sell produce and to be the supplier of choice to its customers. The failure to develop and successfully adapt new products at favourable margins or any increase in cost of goods or operating costs could have a material adverse effect on the financial condition, results of operations, and cash available for distributions of the Fund.

A principal objective of the Fund is to pursue operational efficiencies. Profitability depends in significant measure on its ability to, among other things, successfully manage, identify and implement operational efficiencies. There can be no assurance that the Fund will be successful in managing its cost control and productivity improvement measures.

Risks Inherent in the Agricultural Business

The Fund involves the growing of greenhouse produce, an agricultural product. As such, the Fund is subject to the risks inherent in the agricultural business, such as weather, insects, plant diseases and similar agricultural risks. Although the Fund grows its products in climate controlled greenhouses, carefully monitors the growing conditions within its greenhouses with trained personnel and maintains insurance against such losses, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Natural Catastrophes

Our operations may be adversely affected by severe weather including, wind, snow and rain that may result in our operations having reduced harvest yields due to lower light levels. Although we anticipate and factor in certain periods of lower than optimal light levels, extended periods of severe or unusual light levels may adversely impact our financial results due to higher costs and missed sales opportunities arising from reduced production yields.

Our business operations which are located on the British Columbia coast are located in an area that is geologically active and considered to be at risk from earthquakes.

Climate change over time is predicted to lead to changes in the frequency of storm events as well as their severity. We are unable to predict the impact of climate change on our business.

While the Fund maintains insurance coverage to the extent deemed prudent, we cannot predict that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks.

Vulnerability to Rising Energy Costs

The Fund's greenhouse operations consume considerable energy for heat and carbon dioxide production, and are vulnerable to rising energy costs. Energy costs have shown volatility, which has and may continue to adversely impact the Fund's cost structure. Should the cost of energy continue to rise, and should the Fund face difficulties in sustaining price increases or further increasing prices to offset the impact of increasing fuel costs, gross profit margins could be adversely impacted. See "Description of the Fund — Energy Management Strategy".

Competition

The greenhouse vegetable industry in North America is highly competitive. The Fund faces competition from numerous greenhouse operators throughout North America and, to a lesser extent, Europe. Some of the Fund's competitors have strong economic resources and are well established as suppliers to the markets in which the Fund's products are sold. Accordingly, such competitors may be better able to withstand volatility within the industry and throughout the economy as a whole while retaining significantly greater operating and financial flexibility than the Fund. There can be no assurance that the Fund will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on the Fund's financial condition and results of operations and the amount of cash available for distribution to Unitholders.

Labour

The Fund's operations are labour intensive, particularly during peak harvest months. In Canada, most of the Fund's labour is supplied by contract labour suppliers on short-term contracts and workers hired through the Seasonal Agriculture Workers Program. There can be no assurance that the Fund will be able to source sufficient skilled labourers in the future. In the case of the facilities in Texas, most of the Fund's labour is documented workers in Mexico who cross the U.S. border on a daily basis into Texas as well as workers hired under the H-2A visa program. There can be no assurance that the Fund would not be impacted by any decision relating to control of the U.S./Mexican border. Any shortage of such labour could restrict the ability of the Fund to operate its greenhouses and to distribute its product to its customers.

Efforts by labour unions to organize the Fund's employees could divert management attention away from regular day-to-day operations and increase the Fund's operating expenses. Labour unions may make attempts to organize the Fund's non-unionized employees. Management is not aware of any activities relating to union organizations at any of its greenhouse facilities. Management cannot predict which, if any, groups of employees may seek union representation in the future or the outcome of any collective bargaining. If the Fund is unable to negotiate acceptable collective bargaining agreements, it may have to wait through "cooling off" periods, which are often followed by union initiated work stoppages, including strikes. Depending on the type and duration of any work stoppage, the Fund's operating expenses could increase significantly, which could have a material adverse effect on its financial condition, results of operations and cash flows.

Foreign Exchange Exposure

The Fund estimates that approximately 80%-85% of its sales will be recorded in U.S. dollars, although free cash flow available for distribution by the Fund and cash distributions paid per Unit will be denominated in Canadian dollars. Any foreign currency hedge arrangements that the Fund has entered into may not protect it against any losses which may occur as a result of a fluctuation in the U.S/Canadian dollar exchange rate. In addition, competitive pressures may significantly constrain the ability of the Fund to implement price increases to offset any reduction in Canadian dollar derived revenues as a result of changes in foreign exchange rates. As a result, such fluctuations may have a material adverse impact on the Fund's financial results and the amount of free cash flow available for distribution to Unitholders.

Key Executives

The Fund depends heavily on each member of its management team and the departure of a member of management could cause its operating results to suffer. The future success of the Fund will depend on, among other things, its ability to keep the services of these key executives and to hire other highly qualified employees at all levels. The Fund will compete with other potential employers for employees, and it may not be successful in hiring and retaining the services of executives and other employees that it requires. The loss of the services of, or the Fund's inability to hire, executives or key employees could hinder its business operations and growth.

Risk of U.S. Taxation of Canadian Entity Under Employment Arrangements

Under the Canada-U.S. Tax Convention, a Canadian resident will be subject to U.S. income taxation with respect to the business profits of such Canadian resident attributable to a "permanent establishment" of such Canadian resident located in the United States. A Canadian resident will be treated as maintaining a permanent establishment ("PE") in the United States if, among other situations, an agent of the Canadian resident (other than an independent agent acting in the ordinary course of its business) has, and habitually exercises in the United States, authority to conclude contracts in the name of the Canadian resident.

While the employment agreements between the Village Farms Owners and VF Canada GP and VFLP, respectively, have been structured in a manner to prevent VF Canada GP from maintaining a PE in the United States, the IRS or another U.S. taxing authority may take a contrary position. If the IRS or another U.S. taxing authority were to successfully challenge the employment structure, the income of VF Canada GP or VFOT would be subject to United States or state or local income tax to the extent such income was attributable to the U.S. PE. The consequence of such taxation would be a reduction in the cash available to VF Canada GP for distributions and ultimately a reduction in the distributable cash of the Fund available for distributions to Unitholders.

Uninsured and Underinsured Losses

The Fund's declaration of trust requires that the Fund obtain and maintain at all times insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in those amounts, with those insurers, and on those terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of similar assets and operations.

Management believes that the insurance coverage that is maintained by the Fund in the form of comprehensive property and casualty insurance is with coverages and amounts at a prudent level to repair or replace any assets physically damaged or destroyed, including coverage for resultant business interruption losses or extra expenses sustained, and to cover in respect of claims for bodily injury or property damage arising out of assets or operations. However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Fund. In particular, damage caused by an accidental or natural disaster to any or all of the Fund's key production facilities may result in significant replacement costs and loss of business that may not be fully recoverable under any insurance policy.

Governmental Regulations

The Fund's operations are governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, common law and other requirements that impose obligations relating to, among other things: worker health and safety; the release of substances into the natural environment; the production, processing, preparation, handling, storage, transportation, disposal, and management of substances (including liquid and solid, non-hazardous and hazardous wastes and hazardous materials); and the prevention and remediation of environmental impacts such as the contamination of soil and water (including groundwater). Failure by the Fund to comply with applicable laws, rules, regulations and policies may subject the Fund to civil or regulatory proceedings, including fines, injunctions, administrative orders or seizures, which may have a material adverse effect on the Fund's financial condition and results of operations. Also, as a result of the above requirements, the Fund's operations and ownership, management and control of property carry an inherent risk of environmental liability (including potential civil actions, compliance or remediation orders, fines and other penalties), including with respect to the disposal of waste and the ownership, management, control or use of transport vehicles and real estate. Compliance with all such laws and future changes to them is material to the Fund. The Fund has incurred and will continue to incur significant capital and operating expenditures to comply with such laws. Future discovery of previously unknown environmental issues, including contamination of property underlying or in the vicinity of the Fund's present or former properties or manufacturing facilities, could require the Fund to incur material unforeseen expenses. All of these risks and related potential expenses may have a material adverse effect on the Fund's financial condition and results of operations.

Enforcement of Indemnities Against the Village Farms Owners

The Village Farms Owners agreed to indemnify the Fund and U.S. Holdings in respect of breaches of representations and warranties of the Village Farms Owners contained in the Acquisition Agreement. However, the representations, warranties and covenants of the Village Farms Owners, with limited exceptions, merged and terminated upon the Closing of the Combination Transaction. The Acquisition Agreement provides that the limit on indemnification obligations is, in the aggregate, equal to the APDI Consideration with the value of the Participating Preferred Shares determined on an as-exchanged for Units basis based on the five-day VWAP at Closing and the Village Farms Owners may settle any claim for indemnification, at their option, by a cash payment or by delivery of Units of the Fund or Participating Preferred Shares. These provisions will limit the recourse that the Fund has against the Village Farms Owners. As such there can be no assurance that the Fund will be able to obtain the full amount of any claim for indemnification made by it against the Village Farms Owners.

Risks Associated with Cross Border Trade

Approximately 50-55% of the Fund's Canadian product by sales value is exported to the United States. Markets in the United States and other countries may be affected from time to time by trade rulings and the imposition of customs, duties and other tariffs. There can be no assurance that the Fund's financial condition and results of operations will not be materially adversely affected by trade rulings and the imposition of customs duties or other tariffs in the future. Furthermore, there is no assurance that further trade actions will not be initiated by U.S. producers of greenhouse or field grown vegetables. In addition, increased security at the U.S.-Canada border since September 11, 2001 has caused greater delays when crossing the border. Any prolonged disruption in the flow of the Fund's Canadian product across the U.S.-Canada border could have an adverse effect on the Fund's financial condition and results of operations.

Growth

The Fund may not be able to successfully manage its growth. The Fund's growth strategy will place significant demands on its financial, operational and management resources. In order to continue its growth, it will need to add administrative, management and other personnel, and make additional investments in operations and systems. The Fund may not be able to locate and train qualified personnel, or do so on a timely basis, or expand its operations and systems to the extent, and in the time, required.

Control of the Fund

Pursuant to the Fund's governance arrangements, following the completion of the Combination Transaction, the Class A Unitholder of the Fund, at the direction of the Designated Directors who are appointed by the Village Farms Owners, are entitled to designate one of the four members of the board of Trustees so long as the Village Farms Owners hold the Threshold Equity Interest (as defined in the amended and restated governance agreement). The Designated Trustee is also entitled to designate three of the seven members of the board of directors of VF Canada GP so long as the Village Farms Owners hold an equity interest in the Fund of at least 30% of the outstanding Units (on a fully-diluted basis), including Units that may be acquired upon exercise of the Exchange Rights associated with the Participating Preferred Shares. The number of members of the respective boards that may be designated by the Class A Unitholder will decrease as the Village Farms Owners' direct or indirect ownership of Units (calculated in accordance with the foregoing sentence) falls below specified levels. See "Administration, Services and Employment Agreements - Governance Arrangements" for a description of the Class A Unitholder's board representation rights.

As a result of its board representation rights, the Class A Unitholder will be able to influence the outcome of matters submitted to the boards of the Fund, VF Canada and VF Canada GP for approval. So long as the Class A Unitholder is entitled to appoint its Designated Trustee, certain specified matters relating to the Fund, VF Canada, VF Canada GP and the Fund's other subsidiary entities must be approved by Designated Trustee and by over 50% of the directors of VF Canada GP appointed by Designated Trustee, which will allow the Village Farms Owners to influence the actions of the Fund, VF Canada and the Fund's other subsidiary entities with respect to those specified

matters. In addition, the Class A unitholder will have approval rights respecting certain amendments to the constating documents of the Fund, VF Canada and the Fund's other subsidiary entities.

Statutory Remedies

The Fund is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and in some cases, the *Winding Up and Restructuring Act* (Canada). As a result, in the event a restructuring of the Fund were necessary, the Fund and its stakeholders would not be able to access the remedies and procedures available thereunder.

Accounting Estimates

The Fund will be required to make accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of its assets and liabilities at the date of the financial statements and the reported amounts of its operating results during the periods presented. Additionally, the Fund will be required to interpret the accounting rules in existence as of the date of the financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, or if auditors or regulators subsequently interpret the Fund's application of accounting rules differently, subsequent adjustments could have a material adverse effect on its operating results for the period or periods in which the change is identified. Additionally, subsequent adjustments could require the Fund to restate its financial statements. A restatement of the Fund's financial statements could result in a material change in the price of the Units.

Retail Consolidation

The Fund's top ten customers for the years ended December 31, 2007 and 2006 accounted for approximately 47% and 52%, respectively, of total revenues. As a result of continuing retail consolidation, the Fund's U.S. retail customers grow larger and become more sophisticated enabling them to demand lower pricing and increased promotional programs. If the Fund is unable to use its scale, marketing expertise and market leadership position to respond to these trends, it may have a material adverse effect on its financial condition and results of operations.

Product Liability

As a producer of food products, the Fund is subject to potential product liabilities connected with its operations and the marketing and distribution of vegetable products, including liabilities and expenses associated with contaminated or unsafe product. There can be no assurance that the insurance against all such potential liabilities maintained by the Fund will be adequate in all cases. In addition, even if a product liability claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could harm the Fund's reputation with its customers. The consequences of any of the foregoing events may have a material adverse effect on the Fund's financial condition and results of operations.

Technological Advances

It is possible that more economical or efficient greenhouse production technology than what is currently used by the Fund will be developed, thereby potentially adversely affecting the Fund's competitive position.

Transportation Disruptions

Due to the perishable and premium nature of the Fund's products, the Fund depends on fast and efficient road transportation to distribute its product. Any prolonged disruption of this transportation network could have an adverse effect on the Fund's financial condition and results of operations.

Dependence Upon Credit Facilities

The Fund is subject to fluctuations in its working capital on a month-to-month basis. Consistent with its past practice, the Fund draws down on revolving credit facilities available under its Credit Facilities. There can be no assurance that the Fund will continue to have access to appropriate credit facilities on reasonable terms and conditions, if at all. An inability to draw down upon credit facilities could have a material adverse effect on the Fund's business, financial condition and results of operations and the amount of cash available for distribution to Unitholders.

Risks of Regulatory Change

The Fund is subject to extensive laws and regulations with respect to the production, handling, distribution, packaging and labelling of its products. Such laws, rules, regulations and policies are administered by various federal, state, provincial, regional and local health agencies and other governmental authorities. Changes to any of these laws and regulations could have a significant impact on the Fund. There can be no assurance that the Fund will be able to cost effectively comply with future laws and regulations. Failure by the Fund to comply with applicable laws and regulations may subject the Fund to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the Fund's financial condition and results of operations. In addition, the Fund voluntarily submits to guidelines set by certain private industry associations. Failure to comply with such guidelines or to adopt more stringent guidelines set by such associations in the future may result in lower sales in certain retail markets and may adversely affect the Fund's financial condition and results of operations and the amount of cash available for distribution to Unitholders. Among the regulations to which the Fund is subject are those administered by the BCVMC. The BCVMC grants each licensed producer that it regulates an annual quota to produce specified products in a given year. The BCVMC also has the authority to set the prices at which a regulated product may be bought or sold in British Columbia. There can be no assurance that the BCVMC will not alter its quota allocation policy or that the BCVMC will not introduce pricing restrictions in a manner that could adversely affect the Fund's financial condition and results of operations and the amount of cash available for distribution to Unitholders. In October 2002, the British Columbia Minister of Agriculture, Foods & Fisheries announced that he intended to phase out regulatory schemes for all non-supply managed products like greenhouse products. There can be no assurance that a phase out or modification of the current regulatory schemes will not have an adverse effect on the Fund's financial condition, results of operations and the amount of cash available for distribution to Unitholders.

Risks Related to the Structure of the Fund

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Fund Performance

Although the Fund intends to continue distributing a portion of the cash distributions received in respect of the VFOT Units and VF Canada Common Shares in 2008, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Fund or ultimately distributed by the Fund. The ability of the Fund to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of the Fund, and is subject to various factors including the Fund's financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Nature of Units

Securities like the Units are hybrids in that they have certain attributes of both equity securities and debt instruments. The Units do not represent a direct investment in the Fund and should not be viewed by investors as direct securities of VF Canada, VFOT or their subsidiaries. As holders of Units, Unitholders do 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 or rights of dissent. The Units represent a fractional interest in the Fund. The Fund's primary assets will be the VF Canada Common Shares and the VFOT Units. The price per Unit is a

function of anticipated distributable cash. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Common Shares and VFOT Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such Common Shares or VFOT Notes. Cash redemptions are subject to limitations. See "Description of the Fund — Redemption Right".

Dependence on Subsidiaries

The Fund is an unincorporated open-ended, limited purpose trust that is entirely dependent on the operations and assets of its direct and indirect subsidiaries through its ownership of 100% of the Fund on a fully-diluted basis. Cash distributions to Unitholders will be dependent on, among other things, the ability of VFOT to make cash distributions on the VFOT Units and VF Canada to make cash distributions on its Common Shares to the Fund, which, in turn, are dependent on: (i) VF Canada LP making cash distributions on its Class A and Class B Units; (ii) VF Opco making cash distributions on its common shares; (iii) U.S. Holdings making cash distributions on its common shares; and (iv) APDI making cash distributions on its common shares. The ability of VFOT, VF Canada, VF Canada LP, VF Opco, U.S. Holdings and APDI to make cash distributions or other payments or advances will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities.

Restrictions on Potential Growth

The payout by the Fund of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Fund and its cash flow.

Dilution of Existing Unitholders

The Second Amended and Restated Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as shall be established by Trustees without the approval of any Unitholders. The Unitholders do not have pre-emptive rights in connection with such further issues. Additional Units may be issued by the Fund in connection with the indirect exchange of the Participating Preferred Shares.

Future Sales of Units by or on Behalf of the Village Farms Owners

As of February 1, 2008, The Village Farms Owners hold an aggregate of 247,671 Participating Preferred Shares, representing approximately 64% of the Units of the Fund (on a fully-diluted basis) which can be exchanged for freely tradeable Units or the cash equivalent as follows: (i) one-third after six months; (ii) an additional one-third after 12 months; and (iii) the remaining one-third after 24 months from October 18, 2006, thereby causing the issuance of additional Units. The Village Farms Owners have also been granted certain registration rights by the Fund. If substantial amounts of Units are sold by or at the request of the Village Farms Owners in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such an effect.

Price Fluctuation

Units of publicly traded income funds do not necessarily trade at values determined solely by reference to the underlying value of their assets. One of the factors that may influence the market price of the Units is the annual yield of the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield

and thus could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors outside of the Fund's control.

Distribution of Securities on Redemption or Termination of the Fund

Upon termination of the Fund or redemption of Units, Trustees may distribute the VF Canada Common Shares and VFOT Units directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the VF Canada Common Shares and VFOT Units. In addition, VF Canada Common Shares and VFOT Units will be not freely tradable or listed on any stock exchange. Securities so distributed may not be qualified investments for trusts governed by tax plans, depending on the circumstances at the time.

Restrictions on Ownership of Units by Non-Resident Holders

The Second Amended and Restated Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning more than 49.9% of the fair market value of the Units then-outstanding (calculated on a non-diluted and a fully-diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including non-residents of Canada and U.S. persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public. If the Exchange Rights were exercised in full for Units, the Village Farms Owners would hold 24,767,052 Units, representing approximately 64% of the outstanding Units, on a fully-diluted basis, as of the date hereof.

Unitholder Liability

The Second Amended and Restated Declaration of Trust provides that no Unitholder is subject to any liability whatsoever to any person in connection with a holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Second Amended and Restated Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. The affairs of the Fund are conducted to minimize such risk wherever possible. Pursuant to the *Income Trust Liability Act* (British Columbia), which received royal assent on March 30, 2006, Unitholders are not liable as Unitholders for any act, default, obligation or liability of a trustee of a British Columbia income trust.

Leverage, Restrictive Covenants and Capital Requirements

The ability of the Fund to make distributions, pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Fund. The degree to which the Fund is leveraged could have important consequences to the Unitholders including: the Fund's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of the Fund's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain of the Fund's borrowings are at variable rates of interests, which exposes the Fund to the risk of increased interest rates; and the Fund may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations. The credit facilities contain numerous restrictive covenants that limit the discretion of the Fund's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Fund to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facility contains a number of financial covenants that require the Fund to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facility could result in a default which, if not cured or waived, could result in a termination of distributions by the Fund and permit acceleration of the relevant indebtedness. If the indebtedness under the credit facility were to be accelerated, there can be no assurance that the assets of the Fund would be sufficient to repay in full that indebtedness. There can be no

assurance that future borrowings or equity financing will be available to the Fund, or available on acceptable terms, in an amount sufficient to meet the Fund's needs.

The ability of the Fund to pay distributions or make other payments or advances (which will support distributions on the Units to be paid by the Fund) will be subject to applicable laws and contractual restrictions contained in the instruments governing the indebtedness of those entities (including the credit facilities). The degree to which the Fund is leveraged could have important consequences to the unitholders including: the Fund's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of the Fund's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain of the Fund's borrowings will be subject to variable rates of interest, which will expose the Fund to the risk of increased interest rates; and the Fund may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations. The ability of the Fund to remain competitive, sustain its growth and expand its operations will require large amounts of cash. The Fund expects to obtain this cash from its operating cash flow, and borrowings under available credit facilities. However, the Fund may require additional equity or debt financing to fund its growth and debt repayment obligations.

If the Fund undertakes acquisitions or expands its operations, its capital expenditures may increase. The increase in expenditures may reduce the Fund's working capital and require it to finance working capital deficits. These factors, together with those discussed above, could substantially increase the Fund's operating costs and therefore impair its ability to invest in its existing or new facilities. The Fund may need to refinance its available credit facilities or other debt and there can be no assurance that the Fund will be able to do so or be able to do so on terms as favourable as those presently in place. If the Fund is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on the Fund's financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions..

Risks Related to Tax

Income Tax Matters — Canada

On June 22, 2007, new tax rules significantly changing the income tax treatment of most publicly traded trusts and partnerships (other than certain REITs) and distributions and allocations, as the case may be, from these entities to their investors were enacted (the "SIFT Rules"). Under the SIFT Rules, certain income earned by these entities is taxed in a manner similar to income earned by a corporation and distributions or allocations, as the case may be, of such income made by these entities to investors is taxed in a manner similar to dividends from taxable Canadian corporations. The deemed dividend is eligible for the enhanced dividend tax credit if paid or allocated to a resident of Canada. The Fund is considered a specified investment flow-through ("SIFT") trust and, as a result, the Fund and its unitholders will be subject to the SIFT Rules. The SIFT Rules are generally effective for the 2007 taxation year for trusts and partnerships that commenced public trading after October 31, 2006, but are generally delayed until the 2011 taxation year for trusts and partnerships that were publicly traded prior to November 1, 2006, such as the Fund. However, the SIFT Rules will apply immediately in any taxation year ending after 2006 if the affected entity is deemed to have exceeded "normal growth" during the period from November 1, 2006 to December 31, 2010 as described in the press release issued by the Department of Finance (Canada) on December 15, 2006. These constraints may not accommodate the Fund's financing requirements to take advantage of growth opportunities that may be available during the interim period and may effectively preclude the Fund, under its current structure, from pursuing certain acquisition opportunities. The SIFT Rules are not expected to have an immediate impact on the Fund's tax treatment or distribution policy or the tax treatment of distributions, if any, by the Fund to investors. However, there can be no assurance that the Fund will be able to retain the benefit of the deferred application of the new tax regime until 2011.

The trading market for Units, and the market price for these securities, have been and may continue to be adversely affected by these new rules and is subject to continuing volatility in response to these new rules or other governmental actions affecting income trusts.

Income Tax Matters — United States

The Fund has taken the position that the corporate inversion rules of section 7874 of the Code did not apply to the Transaction. However, there can be no assurance that the IRS will not assert that the Transaction constitutes an inversion subject to these rules. If the IRS were to successfully assert that these corporate inversion rules do apply to the Transaction, adverse U.S. federal income tax consequences to the Fund could result. In particular, the application of these rules could cause an increase in U.S. federal income taxes payable by the Fund's U.S. entities or the Fund, and thereby reduce after-tax cash flow available for distribution to the Unitholders.

The corporate inversion rules of section 7874 of the Code generally will apply to the acquisition of a U.S. corporation by a foreign corporation if the following three conditions are satisfied: (a) the foreign corporation acquires, directly or indirectly, substantially all of the properties held, directly or indirectly, by the U.S. corporation; (b) following the acquisition, the foreign corporation, together with all members of the foreign corporation's "expanded affiliated group" (generally defined as all corporations, whether foreign or U.S., connected to the foreign corporation by a chain of more than 50% common ownership, based on vote and value), does not conduct substantial business activities in the country in which the foreign corporation is organized when compared to the total worldwide business activities of the foreign corporation and all members of the foreign corporation's expanded affiliated group; and (c) following the acquisition, the former shareholders of the U.S. corporation own at least 60%, by vote or value, of the stock of the foreign corporation (by reason of holding stock of the U.S. corporation). Treasury Regulations provide a facts and circumstances test and a safe harbor test to determine whether the foreign corporation's expanded affiliated group has substantial business activities in the acquiring foreign corporation's country of formation compared with the total business activities of such expanded affiliated group.

If, after the inversion transaction, the former shareholders of the U.S. corporation own 60% or more of the new foreign parent corporation, but less than 80% of the shares of the new foreign parent corporation, section 7874 of the Code generally limits the use of certain favourable tax attributes (e.g., net operating losses and foreign tax credits) by the U.S. corporation that is acquired. Specifically, these favourable tax attributes may not be used to offset income or gain recognized by the U.S. corporation from any transfer, within 10 years after the inversion, of stock or other property (excluding inventory), if such transfer either (a) occurs as part of the inversion or (b) occurs after the inversion and is to a "foreign related person" (as defined in section 7874(d)(3) of the Code). In addition, these favourable tax attributes may not be used to offset income received or accrued by the U.S. corporation within 10 years after the inversion from the license of any property, if such license either (a) occurs as part of the inversion or (b) occurs after the inversion and is to a "foreign related person".

If, after the inversion transaction, the former shareholders of the U.S. corporation own 80% or more of the new foreign parent corporation, the new foreign parent corporation is treated as a U.S. corporation for U.S. federal income tax purposes. The new foreign parent corporation would be required to file U.S. federal income tax returns and would be subject to U.S. federal income taxes. The Fund, the Village Farms Owners and the Village Farms Owner NSULCs believe that section 7874 of the Code did not apply to the Combination Transaction. However, should the IRS successfully argue that it does apply, then the Village Farms Owners and the Village Farms Owner NSULCs, combined, would be treated as holding more than 60% but less than 80% of the units of the Fund as a result of the Combination Transaction.

Potential U.S. Permanent Establishment of VF Canada GP, VF Canada LP and VFOT

Under the Canada-U.S. Tax Convention a Canadian resident generally will be deemed to maintain a U.S. "permanent establishment" if an agent of the Canadian resident acting within the U.S. (other than an agent of independent status acting in the ordinary course of its business) has, and habitually exercises in the U.S., authority to conclude contracts in the name of the Canadian resident.

Due to the presence of certain employees of VF Canada GP in the U.S., VF Canada GP, VF Canada LP, and VFOT may be deemed to maintain a U.S. permanent establishment. In the event that such a U.S. permanent establishment does exist, VF Canada GP, VF Canada LP, and VFOT generally will be required to file U.S. federal income tax returns and will be subject to U.S. federal income tax with respect to the business profits allocable to such permanent establishment. In addition, due to the physical presence of certain employees of VF Canada GP in certain jurisdictions in the U.S., VF Canada GP, VF Canada LP and VFOT may be subject to state and local taxes in the relevant jurisdictions.

Advances by VF Opco to U.S. Holdings

In connection with the completion of the Combination Transaction and the Rights Offering, VF Opco lent approximately CAD$20,000,000 to U.S. Holdings (the "Advances"). U.S. Holdings has claimed interest deductions with respect to the interest paid on the Advances in computing its income for U.S. federal income tax purposes. There can be no assurance that the IRS will not assert that any such advance or loan was equity in the U.S. borrower for U.S. federal income tax purposes. If the IRS were successful in this assertion, payments made by U.S. Holdings on such Advances would be treated as non-deductible distributions paid by such U.S. borrower to VF Opco and as subject to U.S. federal withholding taxes. The Fund anticipates that the amount of any such withholding taxes, net of positive tax consequences that may arise from related circumstances, will not be material. The deductions for interest paid or accrued on such Advances that might otherwise be claimed would not be permitted with respect to such loans or advances. In addition, the deductibility of interest paid or accrued may be subject to various limitations. The Fund anticipates that the amount of interest charged on such Advances that might otherwise be claimed as a deduction, will not be material. Effective December 13, 2007, CAD$10,000,000 of indebtedness was settled as a consequence of contributing CAD$10,000,000 to the capital of U.S. Holdings.

Participating Preferred Shares

If the IRS were successful in asserting that the Participating Preferred Shares should be re-characterized for U.S. federal income tax purposes, the distributions paid by U.S. Holdings with respect to the Participating Preferred Shares may be treated as distributions paid by U.S. Holdings to VF Opco and, as such, subject to U.S. federal withholding tax.

Transfer Pricing

Pursuant to an annual sales agreement, VF Canada GP has agreed to sell all of its excess inventory to VFLP for resale in the United States. VF Canada GP and VFLP intend to take the position that the amounts charged by VF Canada GP for such inventory represent the fair market value of the goods sold. The IRS or another U.S. taxing authority may, however, challenge the pricing as being in excess of fair market value. If the IRS or another taxing authority were successful in challenging the pricing, VFLP's U.S. taxable income would be increased to reflect the lowered price of goods sold. The consequence of the additional tax payable on this income would be a reduction in the cash available to VFLP for distributions and ultimately a reduction in the distributable cash of the Fund available for distributions to unitholders.

U.S. Real Property Holding Corporation

If U.S. Holdings is, or has been within the prior 5 years, a United States real property holding corporation as defined under section 897 of the Code, any portion of a distribution by U.S. Holdings which is treated as a gain to VF Opco would be subject to United States federal income and withholding taxes.

DISTRIBUTIONS

Distribution Policy

The Fund's policy is to distribute annually to Unitholders available cash provided by operations after cash required for capital expenditures, working capital reserves, growth capital reserves and other reserves considered advisable by the Trustees of the Fund. The policy allows the Fund to make stable monthly distributions to its Unitholders

based on the Fund's estimate of distributable cash for the year. The Fund pays cash distributions on the last business day of each month to Unitholders of record on the last business day of the previous month. See "Description of the Fund — Cash Distributions ".

Historical Distributions

The Fund has declared payable the following cash distributions for the past three fiscal years to Unitholders:

Record Date	Payment Date[1]	Distribution Per Unit
November 30, 2005	December 15, 2005	$0.03
December 30, 2005	January 16, 2006	$0.03
January 31, 2006	February 15, 2006	$0.03
February 28, 2006	March 15, 2006	$0.03
March 31, 2006	April 13, 2006	$0.03
April 28, 2006	May 15, 2006	$0.03
May 31, 2006	June 15, 2006	$0.03
January 31, 2007	February 28, 2007	$0.01
February 28, 2007	March 30, 2007	$0.01
March 30, 2007	April 30, 2007	$0.01
April 30, 2007	May 31, 2007	$0.01
May 31, 2007	June 29, 2007	$0.01
June 29, 2007	July 31, 2007	$0.01
July 31, 2007	August 31, 2007	$0.01
August 31, 2007	September 28, 2007	$0.01
September 28, 2007	October 31, 2007	$0.01
October 31, 2007	November 30, 2007	$0.01
November 30, 2007	December 31, 2007	$0.01
December 31, 2007	January 31, 2008	$0.01

(1) The Fund suspended distributions in June 2006 and resumed distributions effective January 2007.

MARKET FOR SECURITIES

Trading Price and Volume

The Units are listed and posted for trading on the TSX under the symbol "VFF.UN". The following table sets forth the trading price range and trading volume of the Units as reported by the TSX for the most recently completed financial year:

Month		High	Low	Volume
2007	January	$3.21	$2.68	395,100
	February	3.20	3.05	285,137
	March	3.17	3.85	186,307
	April	3.20	2.90	448,679
	May	3.62	3.11	211,856
	June	3.55	3.25	69,001
	July	3.47	3.28	145,990
	August	3.28	2.80	108,397
	September	2.99	2.84	66,621
	October	3.00	2.57	113,421
	November	2.89	2.45	261,260
	December	2.66	2.20	732,590

TRUSTEES, DIRECTORS AND MANAGEMENT

The following table sets forth the name, position with the Fund and/or VF Canada GP, municipality of residence, principal occupation during the five preceding years, period of service for each of the Trustees and directors and executive officers of VF Canada GP and the number of Units beneficially owned by him, directly or indirectly, or over which he exercises control or direction:

Name and Municipality of Residence[1]	Position	Principal Occupation During the Past 5 Years[1]	Service as a Trustee/ Director/ Executive Officer	No. of Voting Units Beneficially Owned[2]
Michael A. DeGiglio[6] Ft. Davis, Texas	Trustee, Director, and Chief Executive Officer of VF Canada GP	Chief Executive Officer of VF Canada GP and VFLP	Trustee, Director and Executive Officer since October 18, 2006	9,886,950
John P. Henry[5] Plympton, Massachusetts	Director of VF Canada GP	Retired senior executive	Director since October 18, 2006	Nil
Kenneth S. Hollander Tewksbury, New Jersey	Director, Executive Vice President and Chief Financial Officer of VF Canada GP	Executive Vice President and Chief Financial Officer of VF Canada GP and VFLP	Director and Executive Officer since October 18, 2006	5,493,101
Gregory J.D. McKinstry[3][4][5] Vancouver, British Columbia	Trustee and Director of VF Canada GP	Management Consultant	Trustee since November 11, 2003/ Director since December 23, 2003	5,000
John R. McLernon[3][4][5][6] Vancouver, British Columbia	Trustee and Director of VF Canada GP	Honorary Chairman and Co-Founder of the Colliers Macaulay Nicolls Group Inc.	Trustee and Director since January 18, 2005	20,000
Albert W. Vanzeyst Lake Mary, Florida	Director, President and Chief Operating Officer of VF Canada GP	President and Chief Operating Officer of VF Canada GP and VFLP	Director and Executive Officer since October 18, 2006	9,387,002
Heinz Wehner[6] Leawood, Kansas	Director of VF Canada GP	Retired senior executive	Director since October 18, 2006	Nil
Christopher C. Woodward[3][4] Vancouver, British Columbia	Trustee	President, Woodcorp Investments Ltd. (private investment company)	Trustee since November 10, 2003	35,000

(1) The information as to municipality of residence and principal occupation, not being within the knowledge of the Fund, has been furnished by the respective Trustees, directors and officers of VF Canada GP individually.

(2) The Trustees and the directors and executive officers of VF Canada GP beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 60,000 Units, representing approximately 0.5% of the issued and outstanding Units, and 247,671 of the 252,670 Participating Preferred Shares, which if exchanged for Units, and together with their currently held 60,000 Units, would represent approximately 64% of the issued and outstanding Units. The information as to Units beneficially owned or over which a Trustee exercises control or direction, not being within the knowledge of the Fund, has been furnished by the Trustees individually.

(3) Member of the Audit Committee of the Fund.

(4) Member of the Compensation and Corporate Governance Committee of the Fund.

(5) Member of the Audit Committee of VF Canada GP.

(6) Member of the Compensation and Corporate Governance Committee of VF Canada GP.

Each of the Trustees of the Fund holds office for a term expiring at the close of the next annual meeting of Unitholders or until their successors are appointed, unless his or her office is earlier vacated in accordance with the Second Amended and Restated Declaration of Trust.

The following are brief profiles of the directors and executive officers of VF Canada and the Trustees of the Fund:

Michael A. DeGiglio, Chairman, Director and Chief Executive Officer of VF Canada GP and Trustee of the Fund. Mr. DeGiglio is a co-founder of Village Farms and has served as Chief Executive Officer of Village Farms since its

inception in 1990. Mr. DeGiglio joined EcoScience (the former parent company of Village Farms) upon its acquisition of Agro Dynamics, Inc. ("ADI") in November 1992, and served as President and Chief Executive Officer of EcoScience from July 1995 to 2001. Prior to co-founding ADI, Mr. DeGiglio served on active duty in the United States Navy as an officer and jet aviator from July 1976 through January 1983, and the Naval Air Reserves from 1983 to 2001, retiring at the rank of Captain with the United States Naval Reserve. Throughout his Naval career, he held various department head positions, completed a tour as commanding officer of a jet aviation squadron, performed multiple tours overseas, and has completed numerous senior advanced management courses. Mr. DeGiglio received a Bachelor of Science degree in Aeronautical Science and Aviation Management from Embry Riddle Aeronautical University in Daytona Beach, Florida.

John P. Henry, Director of VF Canada GP. Mr. Henry has served as a director and member of the compensation committee of Village Farms since 2001. From 1981 to 2000, Mr. Henry was employed by Ocean Spray Cranberries, Inc. as Senior Vice- President of Grower Relations and Chief Financial Officer, retiring in 2000. Ocean Spray grew from $400 million to $1.3 billion in revenues during his tenure. Mr. Henry also served as a Director of Nantucket Nectors, a majority owned subsidiary of Ocean Spray. From 1980 to 1981 he was Chief Financial Officer of Castle Toy Co, Inc. Prior to this, Mr. Henry was employed by Laventhol and Horwath providing auditing, consulting and tax services to large public and private companies. He received a Bachelor of Science in Fund Administration and Master in Taxation degrees from Bryant College in Smithfield, Rhode Island. Mr. Henry is a non-practicing CPA in the State of Rhode Island.

Kenneth S. Hollander, Executive Vice President and Chief Financial Officer of VF Canada GP. Mr. Hollander has served as Executive Vice President and Chief Financial Officer of Village Farms since June 1999. From 1996 to 1999, Mr. Hollander was Chief Financial Officer of HumaScan Inc., a public medical device company where he was responsible for their initial public offering. From 1989 to 1996, Mr. Hollander was Controller of Sidmak Laboratories, Inc., which grew during his tenure to become one of the largest generic pharmaceutical companies. Prior thereto, Mr. Hollander was employed by the international accounting firm of Arthur Andersen & Co. where he provided auditing and consulting services to Fortune 500 companies. He received a Bachelor of Fund Administration degree from the John M. Olin School of Fund at Washington University in St. Louis.

Gregory J.D. McKinstry, Director of VF Canada GP and Trustee of the Fund. Mr. McKinstry was Executive Vice-President and Chief Financial Officer of Versacold Holdings Corp., the operating entity of Versacold Income Fund from January 2001 to March 2003. Prior to joining Versacold Holdings Corp., Mr. McKinstry was Vice-President and Chief Financial Officer, North America, of DMR Consulting Group, an international technology consulting group with revenues in excess of $800 million. Mr. McKinstry has more than 30 years experience in senior financial and marketing roles with large, multi divisional companies including Mohawk Canada Ltd., MacMillan Bloedel Ltd. and IBM Canada Ltd.

John R. McLernon, Director of VF Canada GP and Chairman and Trustee of the Fund. Mr. McLernon is Honorary Chairman and Co-Founder of the Colliers Macaulay Nicolls Group Inc. Colliers Macaulay Nicolls is the largest partner of Colliers International Commercial Real Estate Services ("Colliers") a global organization with over 240 offices in 50 countries. He served as Chairman and Chief Executive Officer of Colliers from 1977 to 2002, and as Chairman until December 2004. Mr. McLernon also serves as a director of numerous corporations, income trusts, and theatre and arts organizations, and is Chairman of A&W Revenue Royalties Income Fund.

Albert W. Vanzeyst, Director, President and Chief Operating Officer of VF Canada GP. Mr. Vanzeyst was a co-founder of Village Farms and has been President and Chief Operating Officer of Village Farms since its inception in 1990. Mr. Vanzeyst has 40 years of greenhouse design, engineering and construction experience spanning several countries, crops and climates throughout the world. Between 1984 and 1990, Mr. Vanzeyst was President of Dace U.S.A., Inc., a subsidiary of Dace International, Inc., an international turn- key greenhouse construction company. Prior thereto, he participated in the development, design and construction of numerous greenhouse operations in several countries throughout the world. Mr. Vanzeyst holds a degree in Foreign Trade and International Commerce from Handelavond College in the Netherlands.

Heinz Wehner, Director of VF Canada GP. Mr. Wehner has served as a director of Village Farms since 1998. From March 1976 to June 1992, Mr. Wehner served in several management positions with Chemagro Corporation and

Mobay Corporation, both subsidiaries of Bayer A.G. in Germany and, most recently, Bayer Corporation, where he served as President of the Agricultural, Animal Health and Consumer Products Divisions. Previously, Mr. Wehner held several management positions with Bayer Quimicas Unidas S.A. in Peru, including Vice President of the Agricultural Chemicals and Animal Health Division, and with Bayer de Mexico S.A., including Vice President of the Crop Protection and Consumer Products Division. Mr. Wehner attended Escuelas Americanas in Peru where he studied business administration.

Christopher C. Woodward, Trustee of the Fund. Mr. Woodward is the President of Woodcorp Investments Ltd., a private company which pursues venture capital investments. Mr. Woodward was formerly the President of Douglas Lake Investments Ltd., Vice-President of Douglas Lake Cattle Company Ltd. and has held various management and executive positions with Woodward's Stores Ltd. Mr. Woodward serves as a director and trustee of a number of private and public companies and charitable institutions, including The Keg Royalties Income Fund, P.A. Woodward Medical Foundation, Cambie Surgeries Corporation, The Nature Trust of British Columbia, Brentwood College School and Provident Health Care. Mr. Woodward received his Bachelor of Arts (Economics) degree from the University of Western Ontario.

Board Committees

The board of Trustees of the Fund currently has an audit committee and a compensation and corporate governance committee. In addition, the board of directors of VF Canada GP has an audit committee, a compensation and corporate governance committee and will have such other committees as its board of directors deems appropriate from time to time. The composition of these board committees is governed by the requirements of the Governance Arrangements. See "Administration and Services Agreements — Governance Arrangements".

Audit Committee of the Fund. This committee is comprised of John R. McLernon, Gregory J.D. McKinstry and Christopher C. Woodward, the three independent Trustees of the Fund, and is responsible for maintaining management's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, the quality and integrity of the Fund's financial statements and related financial public disclosure and for liaising with the external auditors of the Fund. The Chair of the audit committee of the Fund is Gregory J.D. McKinstry.

Compensation and Corporate Governance Committee of the Fund. This committee is comprised of John R. McLernon, Gregory J.D. McKinstry and Christopher C. Woodward and is responsible for assisting the board in reviewing the adequacy and form of Trustee compensation. The committee is responsible for developing the Fund's approach to governance issues, selecting the Fund's nominees for election as Trustee at each annual meeting of Unitholders in accordance with the provisions of the Governance Arrangements, filling vacancies among the Trustees and periodically reviewing the contribution of individual Trustees. The Chair of the compensation and corporate governance committee of the Fund is John R. McLernon.

Audit Committee of VF Canada GP. This committee is comprised of John R. McLernon, Gregory J.D. McKinstry and John P. Henry and is responsible for maintaining management's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures and the quality and integrity of VF Canada GP's financial statements and related financial public disclosure and for liaising with the external auditors of the Fund. The Chair of the audit committee of VF Canada GP is John P. Henry.

Compensation and Corporate Governance Committee of VF Canada GP. This committee is comprised of John R. McLernon, Heinz Wehner and Michael A. DeGiglio and is responsible for assisting the board in determining compensation of senior management as well as reviewing the adequacy and form of directors' compensation. The committee reviews annually the Chief Executive Officer's goals and objectives for the upcoming year and each year perform an appraisal of the Chief Executive Officer's performance. This committee also administers and makes recommendations regarding the operation of the LTIP and other incentive plans of VF Canada GP. See "VF Canada — Long Term Incentive Plan". The committee is responsible for developing VF Canada GP's approach to corporate governance issues, advising the board in filling vacancies on the board and periodically reviewing the compensation and effectiveness of the board and the contribution of individual directors. The Chair of the compensation and corporate governance committee of VF Canada GP will be the same individual who serves as

Chair of the compensation and corporate governance committee of the Fund. The Chair of the compensation and corporate governance committee of VF Canada GP is Heinz Wehner.

Corporate Cease Trade Orders or Bankruptcies

On March 30, 2001, VFLP, APDI and certain affiliated entities (collectively, the "Debtors") filed voluntary petitions in the United States Bankruptcy Court, Western District of Texas (the "Court"), under Chapter 11 of the United States Bankruptcy Code. At that time, Messrs. DeGiglio and Vanzeyst were directors and executive officers of Village Farms, and Mr. Hollander was an executive officer of Village Farms. An Amended Joint Plan of Reorganization was confirmed by the Court on June 22, 2001, and on June 17, 2002, the Court granted an order closing each of the Debtor's bankruptcy cases.

Penalties or Sanctions

To the knowledge of the Trustees, no Trustee and no director or officer of VF Canada, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of the Trustees, no Trustee, director or officer of VF Canada, or a shareholder holding a sufficient number of Units of the Fund to affect materially the control of the Fund, or a personal holding company of any such persons has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Conflicts of Interest

To the knowledge of the Trustees, there are no existing or potential material conflicts of interest among the Fund or VF Canada and a Trustee or a director or officer of VF Canada.

LEGAL PROCEEDINGS

The Fund is not involved in any legal proceedings which would have a material effect on the Fund. To the knowledge of Management, no legal proceedings of a material nature involving the Fund or the Fund are contemplated by any individuals, entities or governmental authorities.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Prior to the completion of the Combination, the Trustees awarded John R. McLernon $190,000 in consideration of his efforts in connection with the Combination. Half of this amount was paid to Mr. McLernon upon Closing while payment of the remaining $95,000 has been deferred pursuant to the terms of an agreement between the Fund and Mr. McLernon.

On August 23, 2006, the Fund, CCHI and the Village Farms Owners entered into a Subscription Agreement, under which the Fund issued a Subscription Receipt to CCHI immediately prior to the Closing of the Combination for consideration of $10,000,000, which was subject to and received Unitholder approval at the Unitholder Meeting. The Subscription Receipt entitled CCHI to acquire up to 3,623,189 Units of the Fund at a price of $2.76 per Unit. CCHI had deposited $10,000,000 in escrow in support of its commitment. The Fund was required, pursuant to the terms of the Subscription Agreement, to make a rights offering to all Unitholders promptly following the closing of the Combination at an exercise price of $2.76 per Unit subject to certain conditions. The full proceeds of the Rights Offering were required to be used to reduce the commitment to CCHI under the terms of the Subscription Receipt.

Accordingly, on December 22, 2006, the Fund completed the Rights Offering by issuing 2,134,042 Units for total proceeds of $5,889,955.92. The Fund transferred the full proceeds of the Rights Offering to CCHI and concurrently issued an additional 1,489,147 Units to CCHI (which is the number of Units that have a value equal to the balance of $10,000,000 less the proceeds of the Rights Offering, calculated based on a price of $2.76 per Unit). The 1,489,147 Units issued to CCHI represents 13.9% of the outstanding Units of the Fund. Thus, as of the date hereof, CCHI and the parties acting jointly with CCHI, controls 1,489,147 Units and 2,358,040 Class C Shares (which are exchangeable into Units).

The completion of the Combination resulted in the direct and indirect acquisition by the Village Farms Owners, including through the Village Farms Owner NSULCs, of all of the Participating Preferred Shares of U.S. Holdings. Subject to certain limitations, the Participating Preferred Shares may be exchanged for Units or the cash equivalent on a one-for-100 basis (subject to adjustment in certain circumstances). As of the date hereof, the Village Farms Owners and their associates, directly and indirectly, hold 247,671 of the 252,670 outstanding Participating Preferred Shares of U.S. Holdings. Should the Village Farms Owners, pursuant to the Exchange Rights, elect to exchange their Participating Preferred Shares for Units, the Village Farms Owners would collectively control approximately a 64% interest in the Fund as of the date hereof. The Participating Preferred Shares carry right to dividends from U.S. Holdings, concurrently and *pro rata* with distributions by the Fund on the Units. See "Description of the Fund − Retained Interest of the Village Farms Owners."

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia or Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into, other than in the ordinary course of business, that are material and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect, are as follows:

(a) the Acquisition Agreement;

(b) the Amended and Restated Exchange Agreement;

(c) the Amended and Restated Governance Agreement;

(d) the Master Loan Agreement;

(e) the Second Amended and Restated Declaration of Trust;

(f) the Securityholders' Agreement;

(g) the Subscription Agreement;

(h) the Trust Agreement;

(i) the VF Canada LP Agreement of Limited Partnership; and

(j) the VFOT Declaration of Trust.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The terms of reference of the audit committee of the Fund (the "Audit Committee") are attached as Schedule A to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee presently consists of Gregory J.D. McKinstry (Chair), John R.McLernon and Christopher C. Woodward. The education and experience of each member is described under "Trustees, Directors and Management".

Each member of the Audit Committee is independent and financially literate, as such terms are defined in *Multilateral Instrument 52-110 — Audit Committees*.

Prior Approval Policies and Procedures

All non-audit services to be provided to the Fund by the external auditors must either be approved explicitly in advance by the Audit Committee, or by Management pursuant to certain pre-approval policies and procedures established by the Audit Committee that are detailed as to the particular services that may be pre-approved.

The Audit Committee may delegate to one or more members of the Audit Committee the authority to grant such pre-approvals. The decisions of such member(s) regarding approval of non-audit services shall be reported by such member(s) to the full Audit Committee at its first scheduled meeting following such pre-approval.

External Auditor Service Fees (by category)

The following table sets forth, by category, the fees billed by PricewaterhouseCoopers LLP, the Fund's auditors, for the periods ended December 31, 2007 and 2006:

Fee Category	2007	2006
Audit Fees	$194,000	$180,000
Audit-Related Fees	13,500	241,854
Tax Fees	137,000	354,678
Total	$344,500	$776,532

"**Audit fees**" and "**Audit–related fees**" include all fees paid to PricewaterhouseCoopers LLP for the audit of the annual consolidated financial statements, review of the interim financial statements and other services in connection with regulatory filings.

"**Tax fees**" include all fees paid to PricewaterhouseCoopers LLP for tax compliance, tax advice and tax planning, and advisory services.

ADDITIONAL INFORMATION

Additional information relating to the Fund may be found on SEDAR at www.sedar.com. Additional information, including trustees', directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in our management information circular for our most recent annual meeting of Unitholders that involves the election of Trustees.

Additional financial information is provided in our audited consolidated financial statements and management's discussion and analysis for our most recently completed financial year.

SCHEDULE A

VILLAGE FARMS INCOME FUND (the "Fund")
AUDIT COMMITTEE CHARTER

March, 2004, as amended on December 19, 2006

The Fund wishes to adopt certain procedures specified in this Charter.

1. PURPOSE

The Audit Committee (the "Committee") is a standing committee of the board of trustees of the Fund (the "Board"). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to monitoring the Fund's accounting and financial reporting and practices and procedures; the adequacy of the Fund's internal accounting controls and procedures; and for reviewing the quality and integrity of financial statements and other financial information provided by the Fund to unitholders and others, and approving the interim financial statements and the related management's discussion and analysis as delegated by the Board.

2. STRUCTURE AND OPERATIONS

The Committee shall be comprised of three or more members of the Board, who all satisfy the "independence" and "financial literacy" requirements of Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"), as amended. No member of the Committee shall be an officer or employee of Village Farms Canada GP Inc. (together with its subsidiaries, as the context requires, the "Company"), or any affiliate of the Company.

For the purposes of this Charter, a member of the Committee is "independent" if the member has no direct or indirect material relationship with the Company, as more fully defined in MI 52-110, and a member of the Committee is "financially literate" if he or she has the ability to read an understand a set of financial statements that present a breadth and level of complexity of the accounting issues that can reasonably be expected to be raised by the financial statements of the Fund.

The members of the Committee shall be annually appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Board. Unless a Chair is elected by the full Board, the members of the Committee shall designate a Chair by the majority vote of the full Committee membership. The Chair shall be entitled to vote to resolve any ties. The Chair will chair all regular sessions of the Committee and set the agendas for Committee meetings.

The majority of the members of the of the Committee shall at all times be persons resident in Canada.

3. MEETINGS

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management of the Company and the external auditors to discuss any matters that the Committee or each of these groups believes should be discussed. The Committee may meet privately with the auditors, outside counsel of its choosing and the Chief Financial Officer of the Company, as necessary. In addition, the Committee may meet with the external auditors and management of the Company quarterly to review the Fund's financial statements in a manner consistent with that outlined in Section IV of this Charter.

The Committee may invite to its meetings any trustees of the Fund, management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, will constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Chair of the Committee shall designate a person who need not be a member thereof to act as Secretary, who shall record the proceedings of the meetings. The agenda of each meeting will be prepared by the Secretary and, whenever reasonably practicable, circulated to each member prior to each meeting. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

4. RESPONSIBILITIES, DUTIES, AUTHORITY

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section 1 of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of this Committee outlined in Section 1.

The Committee in discharging its oversight role, is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting, or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention.

The Committee shall be given full access to the Board, management of the Company, employees of the Company, directly and indirectly responsible for financial reporting, and independent accountants, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the Board.

Notwithstanding the foregoing, the Committee is not responsible for certifying the financial statements of the Fund or guaranteeing the external auditors' report. The fundamental responsibility for the financial statements and disclosures rests with management of the Company, as attorney for the Fund.

The Committee, through discussions with management of the Company and the external auditors, shall satisfy itself that management of the Company has established appropriate and cost-effective systems of internal control to safeguard assets from loss and unauthorized use, manage significant business risks and ensure accurate and timely financial reporting, and as otherwise contemplated by Multilateral Instrument 52-109 – Certification and Disclosure in Issuers' Annual and Interim Filings, as amended.

5. DOCUMENT REPORTS/REVIEWS

Annual Financial Statements and Management's Discussion and Analysis

The Committee shall review with management of the Company and the external auditors prior to public dissemination:

(a) the annual audited consolidated financial statements;

(b) the annual Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A");

(c) the results of external auditor's examination of the annual consolidated financial statements and their report;

(d) any significant changes that were required in the external audit plan;

(e) any significant issues raised with management of the Company during the course of the audit, including any restrictions on the scope of activities or access to information; and

(f) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the Fund.

Following completion of the matters contemplated above, the Committee shall make a recommendation to the Board with respect to the approval of the annual financial statements and annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary.

Interim Financial Statements and Interim MD&A

The Committee shall review with management of the Company prior to public dissemination, the interim unaudited consolidated financial statements of the Fund and the interim MD&A. The Committee shall approve the interim financial statements and interim MD&A, as the Board has delegated this function to the Committee. The Committee shall have the authority to determine whether to request the Company's external auditors to undertake a review engagement in respect of the interim unaudited consolidated financial statements from time to time, including in conjunction with a public offering of securities by the Fund.

Press Releases

The Committee shall review with management of the Company, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information) as well as financial information and earnings guidance provided to analysts and rating agencies.

Reports and Regulatory Returns

The Committee shall review and discuss with management of the Company, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the Fund as may be specified by law.

Other Financial Information

The Committee shall review the financial information included in any prospectus, annual information form or information circular of the Fund with the management of the Company and the external auditors, both together and separately, prior to public dissemination, and shall make a recommendation to the Board with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary. The Committee shall review each annual information form of the Fund to ensure the completeness and veracity of the mandated disclosure (as required by Form 52-110F1) about the Committee.

Charter

The Committee shall review and update this Charter periodically, as conditions warrant.

6. FINANCIAL REPORTING PROCESSES

Establishment and Assessment of Procedures

The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Fund and assess the adequacy of these procedures annually.

Application of GAAP

The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgments made by management of the Company, and their selection of accounting principles reflect an appropriate application of generally accepted accounting principles.

Practices and Policies

The Committee shall review with management of the Company and the external auditors, together and separately, the principal accounting practices and policies of the Fund.

7. EXTERNAL AUDITORS

Oversight and Responsibility

The Committee is directly responsible for overseeing the work of the 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, including the resolution of disagreements between management of the Company and the external auditors regarding financial reporting.

Reporting

The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.

Performance and Review

The Committee shall annually review the performance of the external auditors and recommend to the Board the nomination of the external auditors or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund.

Annual Audit Plan

The Committee shall review with the external auditors and management of the Company, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit, and shall recommend to the Board the fees to be paid to the external auditors.

Non-Audit Services

"Non-audit services" means all services performed by the external auditors other than audit services. All "non audit" services to be provided to the Fund by the external auditors must either be approved explicitly in advance by the Committee, or by management pursuant to certain pre-approval policies and procedures established by the Committee that are detailed as to the particular services that may be pre-approved.

The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals. The decisions of such member(s) regarding approval of "non audit" services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval. Notwithstanding the foregoing, preapproval is not necessary for certain de minimis non-audit services performed by the external auditors, as specified in Section 2.4 of MI 52-110.

Independence Review

The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the Fund. At least annually, the

Committee shall receive from and review with the external auditors, their written statement delineating all relationships with the Fund and, if necessary, recommend that the Board take appropriate action to satisfy itself of the external auditors' independence and accountability to the Committee.

8. REPORTING

Reports to the Board

In addition to such specific reports contemplated elsewhere in this Charter, the Committee shall report regularly to the full Board regarding such matters, including:

(a) any issues that arise with respect to the quality or integrity of the financial statements of the Fund, compliance with legal or regulatory requirements by the Fund, or the performance and independence of the external auditors of the Fund;

(b) proceedings at meetings of the Committee; and

(c) such other matters as are relevant to the Committee's discharge of its responsibilities.

Recommendations

In addition to such specific recommendations contemplated elsewhere in this Charter, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

Reports to the Compensation and Corporate Governance Committee

The Committee shall provide reports or otherwise communicate with the Compensation and Corporate Governance Committee of the Fund as appropriate.

9. *WHISTLE-BLOWING*

Procedures

The Committee shall establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Fund regarding questionable accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Company and of concerns regarding questionable accounting or auditing matters.

Such procedures will be reflected in the Code of Ethics and Whistleblower Policy of the Fund and its subsidiaries, as amended from time to time.

10. GENERAL

Access to Counsel

The Committee may review, periodically, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements of the Fund.

General

The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Board of Directors, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.