

Village Farms Income Fund

Management's Discussion and Analysis

Three and Nine Months Ended September 30, 2009

November 10, 2009

Management's Discussion and Analysis

Information is presented in thousands of United States dollars unless otherwise noted.

Introduction

This management's discussion and analysis ("MD&A") should be read in conjunction with the interim consolidated financial statements and accompanying notes of Village Farms Income Fund (the "Fund"), for the nine months ended September 30, 2009. The information provided in this MD&A is current to November 10, 2009 unless otherwise noted.

Village Farms Income Fund ("VFF" and, together with its subsidiaries, the "Fund"), is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia pursuant to a Declaration of Trust dated November 10, 2003 (as amended and restated on October 18, 2006). The Fund was created to invest in the vegetable greenhouse production business, through the acquisition of a controlling interest in Village Farms Canada Inc. ("VF Canada"). The Fund's principal operating subsidiaries at September 30, 2009 are Village Farms Canada Limited Partnership ("VFCLP") and Village Farms, L.P. ("VFLP").

In this MD&A, "Village Farms" refers to the business carried on by the Fund and its subsidiaries.

Conversion Plans

On November 2, 2009, the board of trustees of the Fund approved a plan of arrangement in connection with the conversion from an income trust structure to a public Canadian corporation, which is subject to the necessary commercial, stock exchange, court and unitholder approvals. As a result of the proposed arrangement being carried out under the *Canada Business Corporations Act*, it is subject to the approval of the Ontario Superior Court of Justice and the approval of not less than 66 2/3% of the votes cast at a special meeting of the Fund's voting unitholders to be held on December 9, 2009. The proposed conversion is expected to be completed on or before December 31, 2009.

Distributions

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. In light of the ongoing market uncertainties and challenging economic times, as well as to create a reserve for the anticipated conversion cost and Village Farms' plans to accelerate its growth initiatives, the Trustees of the Fund believe it is prudent to conserve cash and as such, have suspended the monthly distribution effective June 2009.

Business Overview

Management believes that Village Farms is one of the largest producers, marketers and distributors of premium-quality, greenhouse-grown tomatoes, bell peppers and cucumbers in North America. This premium product is grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia and Texas. The Fund also markets and distributes premium tomatoes, peppers and cucumbers produced under exclusive arrangements with other greenhouse producers. The Fund markets and distributes under its Village Farms® brand name, primarily to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada. It currently operates five distribution centres located across the United States and Canada. Since its inception, Village Farms has been guided by a sustainable agriculture policy which integrates three main goals – environmental health, economic profitability and social and economic equality.

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; and
- using dedicated environmental control computer systems which monitor and control virtually all aspects of the growing environment, thereby maximizing the efficient use of energy.

Village Farms' assets include seven greenhouses providing 916,158 square metres (232 acres) of growing space in Canada and the United States. All of Village Farms' greenhouses are constructed of glass, aluminum and steel, and are located on land owned or leased by Village Farms. In November 2006, VFLP opened a 5,400 square metre research facility in order to conduct testing of new growing technologies and methods. The Fund is currently selling the crop that is grown at the research facility. VFLP also has exclusive marketing agreements with growers in Canada and Mexico that currently operate approximately 786,000 square metres of growing area.

In February 2009, Village Farms sold its Ringgold, Pennsylvania greenhouse facility and entered into a marketing agreement with the buyer. The Fund recorded a gain on the sale of \$156 in the first quarter of 2009.

The following table outlines Village Farms' greenhouse facilities:

Greenhouse Facility	Growing Area		Products Grown
	Square Metres	Acres	
Marfa, TX (3 greenhouses)	318,460	82	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Fort Davis, TX (1 greenhouse)	156,530	40	Tomatoes on-the-vine
Delta, BC (3 greenhouses)	441,168	110	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Total	916,158	232	

Crop Cycles

The growing cycle at Village Farms' greenhouse facilities occurs over a 14-month period.

Northern Facilities

The Canadian facilities begin their growing cycles in October of one year and extend through December of the next year. To start, seeds are purchased and sent to an external propagator in October. Meanwhile, harvesting for the previous year's crop concludes in November. These plants are removed from the greenhouse and replaced with new seedlings from October's propagation. In early January, the pollination process begins and fruit typically begins to appear on the vines towards the end of January. The timing of growth and ripening of the fruit depends upon a number of factors, including variety and light levels, which vary from year to year. Harvesting of early varieties begins in early March and reaches peak volumes during the months of June, July and August. In September, volumes begin to decrease and continue to decline until harvesting is completed in late November.

Southern Facilities

The Texas facilities begin their growing cycles in May of one year and extend through July of the next year. To start, seeds are purchased and sent to an external propagator in May. Meanwhile, harvesting for the previous year's crop concludes in July. These plants are removed from the greenhouse and replaced with the new seedlings from May's propagation. In August, the pollination process begins and fruit typically begins to appear on the vines. Harvesting begins in September. In order to maintain the highest level of quality and yield, a second crop is planted alongside the original crop in January. In March, the second crop begins to harvest fruit and the original crop is removed.

International Consulting

The Fund is currently discussing feasibility studies of the closed greenhouse system for companies outside of North America. The Fund's role would be to provide consulting services for the building and operation of these greenhouses.

Marketing

Village Farms is a leading marketer of premium-quality, value-added, branded greenhouse-grown produce in North America, and is a significant producer of beefsteak, tomatoes on-the-vine and cherry tomatoes at its facilities in Canada and the United States. Village Farms also purchases and distributes premium tomatoes, bell peppers and cucumbers in the United States and Canada produced by other greenhouse growers located in the United States, Canada and Mexico. Village Farms maintains high standards of food safety and requires the same of its exclusive contract growers, while providing on-time, effective and efficient distribution.

The Fund strives to continually exceed the expectations of its customers by providing consistently superior product, including adding new product varieties and packaging innovations.

The Fund has distribution capabilities that it believes exceed those of any competitor in the North American greenhouse vegetable industry. With owned or leased distribution centres in New York, Texas, Pennsylvania, Washington and British Columbia, the Fund provides its customers with flexibility in purchasing. For the nine months ended September 30, 2009, Village Farms had an on-time delivery record of 99.6%, while maintaining competitive freight rates that management of Village Farms 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 led and currently leads the industry in adopting Good Agricultural Practices. 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 undergo 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., Associated Grocers, Associated Wholesale Grocers, Costco Wholesale, Fred Meyer, The Golub Corporation, HEB Grocery Company, The Kroger Co., Loblaw Companies Limited, Market Basket, Meijer, Inc., Military Produce, Overwaitea Food Group, Publix Super Markets, Inc., Richfoods, Inc., Safeway Inc., Safeway Canada, Unified Western Grocers, Wakefern Food Corp., Wal-Mart Stores. Inc., Wegmans Food Markets Inc., Weis Markets, Whole Foods Market, Winco Foods LLC and Woodman's Food Market.
- **Excellence in Customer Service and Logistics.** Logistics and distribution capability are key factors in ensuring fresh high quality product to meet consumer demands. Management of Village Farms believes it has a competitive advantage through its logistics and distribution network which includes strategically located distribution centres.

Results of Operations

Consolidated Financial Performance

(in thousands of US dollars, except per Unit amounts, unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Net sales	\$32,711	\$30,105	\$96,927	\$102,677
Gross profit	935	2,723	7,359	19,900
Selling, general and administrative	2,675	3,366	8,489	10,585
Interest expense, net	817	893	2,419	2,770
Other expense (income)	1,288	911	(219)	(234)
Net earnings (loss)	(2,777)	(1,704)	(2,510)	5,631
EBITDA (1)	(292)	679	3,396	15,170
Earnings per Unit basic	(\$0.07)	(\$0.05)	(\$0.06)	\$0.15
Earnings per Unit diluted	(\$0.07)	(\$0.04)	(\$0.06)	\$0.15

(1) EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See Reconciliation of Net Earnings to EBITDA - "Non-GAAP Measures". Management believes that EBITDA is a useful supplemental measure in evaluating the performance of the Fund.

Results of Operations for the Three Months Ended September 30, 2009 Compared to the Three Months Ended September 30, 2008

Net sales

Net sales for the three month period ended September 30, 2009 increased \$2,606 or 9% to \$32,711 from \$30,105 for the three month period ended September 30, 2008. The increase in revenue is primarily due to an increase in revenues related to product sold on behalf of our exclusive partners offset by lower selling prices for tomatoes.

The average selling price for the three months ended September 30, 2009 versus the three months ended September 30, 2008 for tomatoes was a decrease of 8%, for peppers was a decrease of 31%, and for cucumbers a decrease of 6%. The price decrease for tomatoes and peppers in the third quarter of 2009 was a result of average pricing returning to historical averages from an above average price in the third quarter of 2008, as well as a weaker Canadian dollar of 5% versus the same period in 2008. For the three months ended September 30, 2009, tomato pounds sold increased 16% over the same period in 2008; the increase was due to additional pounds from third parties, Village Farms facilities' production was the same as the prior year's period. Pepper pounds sold for the three months ended September 30, 2009 increased 57% over the same period in 2008 and cucumber pieces sold for the three months ended September 30, 2009 remained the same as the same period in 2008. Pepper volume increased due to additional third party providers under contract with the Fund.

Gross Profit

Gross profit for the three month period ended September 30, 2009 decreased \$1,788 to \$935 from \$2,723 for the three month period ended September 30, 2008. Gross profit margin percentage decreased to 3% for the three months ended September 30, 2009 from 9% for the three months ended September 30, 2008, primarily due to decreased selling prices for produce due to market conditions and an increase in third party sales that have a lower gross profit margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three month period ended September 30, 2009 decreased \$691 or 21% to \$2,675 from \$3,366 for the three month period ended September 30, 2008. The decrease is primarily due to a reduction in payroll and credit expenses.

Interest Expense, Net

Interest, net for the three month period ended September 30, 2009 decreased \$76 or 9% to \$817 from \$893 for the three month period ended September 30, 2008. The decrease is due to lower debt balances and lower variable interest rates.

Other Expense

Other expense for the quarter ended September 30, 2009 increased \$377 to \$1,288 from other expense of \$911 for the quarter ended September 30, 2008. The increase was due to a larger non-cash charge for foreign exchange loss of \$829 as compared to \$194 for the third quarter of 2008. The increased loss was directly due to the volatility in the US/Canadian dollar exchange rate as a significant portion of the Fund's transactions are denominated in Canadian dollars, while the reporting currency is US dollars.

Net Earnings (loss)

Net income for the three month period ended September 30, 2009 decreased \$1,073 to (\$2,777) from (\$1,704) for the three month period ended September 30, 2008. The decrease was primarily due to a decrease in gross profit of \$1,788.

Income taxes

Income tax recovery for the three month period ended September 30, 2009 is (\$1,068), up from (\$743) for the three month period ended September 30, 2008.

EBITDA

EBITDA for the three month period ended September 30, 2009 decreased \$971 to \$(292) from \$679 for the three month period ended September 30, 2008, primarily due to a decrease in gross profit. See the EBITDA calculation in "Reconciliation of Net Earnings to EBITDA."

Results of Operations for the Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008

Net sales

Net sales for the nine month period ended September 30, 2009 decreased \$5,750 or 6% to \$96,927 from \$102,677 for the nine month period ended September 30, 2008. The decrease in revenue is primarily due to production decreases at the Fund's facilities during the first quarter of 2009 and lower selling prices for tomatoes, partially offset by an increase in revenues related to product sold on behalf of our exclusive partners. Using the weighted nine month average US/Canadian dollar exchange rate for 2008, our nine month sales would have been \$99,382, which is \$2,455 higher than the Fund's reported 2009 revenue.

The average selling price for the nine months ended September 30, 2009 versus the nine months ended September 30, 2008; for tomatoes was a decrease of 15%, for peppers was a decrease of 24% and for cucumbers was an increase of 12%. The price decrease for tomatoes in the nine months ended September 30, 2009 was a result of average pricing hovering around its five year low due to weaker consumer demand for tomatoes, as measured by The Nielsen Company, and a weaker Canadian dollar in 2009 versus 2008 of approximately 15% versus the same period in 2008. For the nine months ended September 30, 2009, tomato pounds sold increased 5,522,000 pounds over the same period in 2008; the increase was due to an increase in pounds sold from third party providers under contract with the Fund; offset by a reduction of Village Farms owned production of 5%. The pound decrease from Village Farms owned production was caused by a change in the seed variety in the Fund's Texas facilities, in the first quarter of 2009 and the sale of the Ringgold, Pennsylvania greenhouse facility in the fourth quarter of 2008. Pepper pounds sold for the nine months ended September 30, 2009 increased 52% over the same period in 2008 and cucumber pieces sold for nine months ended September 30, 2009 decreased 8% over the same period

2008. The peppers increased due to additional third party providers under contract with the Fund, and the cucumber decrease was due to changes in crop cycle of the cucumber growers.

Gross Profit

Gross profit for the nine month period ended September 30, 2009 decreased \$12,541 or 63% to \$7,359 from \$19,900 for the nine month period ended September 30, 2008, due to the reasons outlined above. Gross profit margins fell to 8% for the nine months ended September 30, 2009 from 19% for the nine months ended September 30, 2008.

Selling, General and Administrative

Selling, general and administrative expenses for the nine month period ended September 30, 2009 decreased \$2,096 or 20% to \$8,489 from \$10,585 for the nine month period ended September 30, 2008. The decrease is due to a one-time share grant by the Fund's majority owners to employees of \$813 in 2008, which did not recur in 2009 and a reduction in 2009 employee expenses.

Interest, Net

Interest, net for the nine month period ended September 30, 2009 decreased \$351 or 13% to \$2,419 from \$2,770 for the nine month period ended September 30, 2008. The decrease is due to lower debt balances and lower borrowing costs.

Other (Income)

Other income for the nine month period ended September 30, 2009 decreased \$15 to (\$219) from (\$234) for the nine month period ended September 30, 2008.

Net (Loss) Income

Net income for the nine month period ended September 30, 2009 decreased \$8,141 to \$(2,510) from \$5,631 for the nine month period ended September 30, 2008. The decrease was primarily attributable to a decrease in gross profit.

EBITDA

EBITDA for the nine month period ended September 30, 2009 decreased \$11,774 or 78% to \$3,396 from \$15,170 for the nine month period ended September 30, 2008, primarily due to the decrease in gross profit, partially offset by an decrease in selling, general and administrative expenses. See the EBITDA calculation in "Reconciliation of Net Earnings to EBITDA."

Selected balance sheet data

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Total assets	\$93,402	\$99,169
Total liabilities	(\$74,020)	(\$76,045)
Unitholders' equity	(\$19,382)	(\$23,124)

Reconciliation of Net Earnings to EBITDA

Non-GAAP Measures

References in this MD&A to "EBITDA" are to 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. EBITDA is a cash flow measure that is not recognized by generally accepted accounting principles in Canada ("GAAP") and does not have standardized

meanings prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. As the Fund distributes substantially all of its cash on an ongoing basis (after providing for certain amounts described elsewhere in this MD&A), management believes that EBITDA is a useful measure in evaluating the performance of the Fund and in determining whether to invest in Units of the Fund.

References to "distributable cash" are to net income before interest, taxes depreciation, amortization, foreign currency exchange gains and losses on translation of long-term debt, unrealized gains on changes in the fair value of derivative instruments, non-controlling interest and after debt servicing costs and any reserves that are deemed to be reasonable and necessary for the operation of the Fund. Distributable cash is not a recognized measure under GAAP and the Fund's method of calculation of distributable cash may differ from methods used by other entities. Accordingly, distributable cash as presented may not be comparable to similar measures presented by other entities. Management considers distributable cash to be a meaningful measure of operating performance because the Fund finances all growth and major capital expansion or replacement either with debt or the issuance of new Units. As such, distributable cash measures the return on investment to unitholders and helps to illustrate how the Fund is performing.

On August 4, 2006, the Canadian Securities Administrators ("CSA") issued Staff Notice 52-306 (Revised) — *Non-GAAP Financial Measures*, with the only revision to the notice being a clarification of the CSA's expectations regarding the presentation of distributable cash. That notice states: "We expect distributable cash disclosure to include a reconciliation to the most directly comparable measure calculated in accordance with GAAP. In staff's view, the most directly comparable measure calculated in accordance with GAAP is cash flows from operating activities as presented in the issuer's financial statements. For clarity, cash flows from operating activities includes changes during the period in non-cash working capital balances". As contemplated by the CSA notice, this MD&A includes a presentation of distributable cash based on cash flows from operating activities based upon recommendations contained in a Canadian Institute of Chartered Accountants' ("CICA") guidance issued in July 2007.

Reconciliation of Net Earnings to EBITDA

Management believes that EBITDA is an important measure in evaluating the historical performance of the Fund. However, EBITDA is not a recognized earnings measure under GAAP and does not have standardized meanings prescribed by GAAP. Accordingly, EBITDA may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as indicators of the Fund's performance, or cash flows from operating activities as a measure of liquidity and cash flow. The Fund defines and has computed EBITDA as described under "Non-GAAP Measures". The following table is the calculation of net income to EBITDA:

The following table is the calculation of net income to EBITDA:

<i>(in thousands, unaudited)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Net earnings	\$(2,777)	\$(1,704)	\$(2,510)	\$5,631
Add:				
Depreciation/amortization	1,422	1,660	4,333	5,030
Foreign currency exchange loss (gain)	829	194	409	206
Interest expense	817	893	2,419	2,770
Income taxes	(1,068)	(743)	(820)	1,147
Stock compensation (a)	-	-	-	813
Derivatives	485	379	(435)	(427)
EBITDA	\$(292)	\$679	\$3,396	\$15,170

- (a) Reflecting a stock gift by the Fund's majority owners to employees of the Fund's operating subsidiaries during 2008. The Fund took a non-cash charge equal to the fair market value of the stock gift by the Fund's majority owners.

Distributable Cash

The Fund has modified the presentation and calculation of distributable cash based on recommendations contained in the CICA's guidance issued in July 2007.

(in thousands dollars, except per Unit amounts, unaudited)	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Cash flow from operations	\$4,251	\$7,680	\$2,350	\$14,017
Less capital expenditures (a)	(410)	(1,659)	(1,423)	(2,706)
	3,841	6,021	927	11,311
Add (deduct) entity-specific adjustments:				
Sale proceeds of property	140	-	222	-
Payment of Transaction expenses (b)	-	-	-	93
Long term debt payments	(807)	(795)	(2,421)	(2,358)
Standardized distributable cash –USD\$	3,174	5,226	(1,272)	9,046
Average exchange rate for period (c)	1.0975	1.0411	1.1697	1.0186
Standardized distributable cash – CAD\$	\$3,483	\$5,441	\$(1,488)	\$9,214
Distributions CAD\$ (d)	\$ -	\$1,090	\$1,813	\$3,271
% of distributable cash	-	20%	(122)%	36%
Standardized distributable cash per unit				
Weighted average number of units/shares outstanding-basic	38,707,345	36,349,305	38,707,345	36,349,305
Weighted average number of units/shares outstanding-diluted	38,707,345	38,707,345	38,707,345	38,707,345
Basic CAD\$	\$0.09	\$0.15	(\$0.04)	\$0.25
Diluted CAD\$	\$0.09	\$0.14	(\$0.04)	\$0.24
Declared distribution per unit/share				
Basic and diluted CAD\$	\$ -	\$0.03	\$0.05	\$0.09

- (a) Capital expenditures correspond to the purchase of property, plant and equipment.
(b) Payment of accrued dividend as per the October 2006 acquisition transaction
(c) Represents the average daily closing rates of exchange between the U.S. and Canadian dollar for the respective periods.
(d) Represents distributions approved and declared during the period by the Fund's Board of Trustees (the "Trustees").

The Fund suspended its monthly distributions to unitholders effective June 2009. In light of the ongoing market uncertainties and challenging economic times, and as well as to create a reserve for the anticipated costs of converting the Fund's income trust structure into a Canadian public corporation and Village Farms' plans to accelerate its growth initiatives, the Trustees believe it is prudent to conserve cash.

Liquidity

Cash flows

The Fund expects to provide for adequate financing to maintain and improve its property, plant and equipment and to fund working capital needs for the foreseeable future from cash flows from operations and, as needed, from additional borrowings under its credit facilities or other long-term facilities including capital leases.

For the three months ended September 30, 2009, cash flows from operating activities before changes in non-cash operating working capital total \$(965) (September 30, 2008 - \$380) and \$1,728 for the nine months ended September 30, 2009 (September 30, 2008 - \$11,261). The decrease in the three and nine months ended September 30, 2009 versus the same periods in 2008 was due to a reduction in net income in 2009 from the same periods in 2008.

Capital expenditures totalled \$410 for the three months ended September 30, 2009 (September 30, 2008 - \$1,659) and \$1,423 for the nine months ended September 30, 2009 (September 30, 2008 - \$2,706).

The cash used in financing activities for the three months ended September 30, 2009 totalled \$4,632 (September 30, 2008 - \$6,965) and \$2,448 for the nine months ended September 30, 2009 (September 30, 2008 - \$9,682), and for the three month period primarily consisted of payments on an operating line of credit of \$3,865 (September 30, 2008 - \$5,031); debt payments of \$807 (September 30, 2008 - \$795); and for the nine month period primarily consisted of proceeds from an operating line of credit of \$1,691 (September 30, 2008 - (\$3,313)); debt payments of \$2,421 (September 30, 2008 - \$2,358); and cash dividend payments to unitholders and to holders of participating preferred shares of \$1,550 (September 30, 2008 - \$3,221) .

Capital resources

(in thousands)

	<u>Maximum</u>	<u>Outstanding September 30, 2009</u>
CAD Operating Loan (i)	CAD\$12,000	\$1,691
CAD Capital Loan (ii)	43,045	42,713
CAD FX Facility (iii)	-	-
US Operating Loan (iv)	5,000	-
US Capital Loan (v)	13,300	12,825

Canadian Credit Facilities

The Canadian credit facilities include:

- (i) Revolving variable rate operating loan of up to CAD\$12,000 with a term of 364 days (the “CAD Operating Loan”);
- (ii) Non-revolving variable rate capital loan with a balance of \$43,045 maturing on October 31, 2011 (the “CAD Capital Loan”); and
- (iii) Foreign exchange contracts facility for the purchase and/or sale of U.S. funds (the “CAD FX Facility”).

Interest payable on funds borrowed under the Canadian credit facilities are calculated by way of one or more of Canadian Prime Rate borrowings, Credit Instrument borrowings, U.S. Base Rate borrowings, LIBOR borrowings, Bankers’ Acceptances borrowings, Cost of Funds Borrowing, or any combination thereof.

The CAD Line of Credit is subject to annual renewal by the bank. As at September 30, 2009, \$1,691 was drawn on the CAD Line of Credit and the Fund has letters of credit for natural gas forward purchases of \$2,133. The letters of credit reduces the available borrowings under the CAD Line of Credit. As at September 30, 2009, the Fund used LIBOR borrowings to calculate interest payable. Subject to acceleration, upon an event of default, the outstanding balance of the CAD Capital Loan will be repayable by way of 48 monthly installments of principal and interest (based on an amortization of the CAD Capital Loan in full over a period 20 years), commencing October 31, 2007, with the balance of the CAD Capital Loan and all unpaid accrued interest to be paid in full on October 31, 2011.

Accrued interest payable on the Canadian credit facilities and loans as at September 30, 2009, was \$34 (December 31, 2008 - \$14) and these amounts are included in accounts payable and accrued liabilities. As at September 30, 2009, the interest rate was 2.25% (September 30, 2008 – 5.43%). The Fund has entered into a fixed for floating rate interest rate swap agreement as described in note 9 of its interim financial statements. The interest expense for the three months ended September 30, 2009 was \$697 (September 30, 2008 - \$654) and for the nine months ended September 30, 2009 was \$1,978 (September 30, 2008 - \$2,051). At September 30, 2009 and September 30, 2008, VFCLP was in compliance with all CAD debt covenants.

The Canadian 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.

As collateral for the borrowings, VFCLP has provided, among other things, promissory notes, a first mortgage on the Canadian greenhouse properties, and general security agreements over its assets. The borrowings are subject to certain positive and negative covenants.

VFCLP and certain of its direct and indirect subsidiaries, have provided full recourse guarantees of the Canadian credit facilities and have granted collateral therein. The Canadian credit facilities, in all cases, are senior in priority to the securities of VFCLP indirectly held by the Fund. The carrying value of these assets pledged as collateral as at September 30, 2009 was \$67,543 (December 31, 2008 - \$70,489).

United States Credit Facilities

The U.S. credit facilities include:

- (iv) Revolving variable rate operating loan of up to \$5,000 with a term of 364 days (the “US Operating Loan”); and
- (v) Non-revolving variable rate capital loan maturing on June 20, 2016 (the “US Capital Loan”).

The US Capital Loan is amortized on a 10-year schedule, with quarterly principal payments of \$475. The term may be renewed beyond such date only upon amendment of the facility. The interest rate is LIBOR plus 3.00% (3.50% as at September 30, 2009). Interest on the US Capital Loan will be, at the Fund’s option, seven-day LIBOR plus the applicable margin, or the one, two, three or six month LIBOR plus the applicable margin or a quoted fixed rate. The applicable margin will be based on the Fund’s ratio of long term debt to adjusted equity. As at September 30, 2009, the Fund used the seven-day LIBOR plus the applicable margin.

No borrowings are outstanding under the US Operating Loan as at September 30, 2009 (December 31, 2008 - \$nil). The Fund has a letter of credit of \$945 outstanding. The letter of credit reduces the amount available for borrowing under the US Capital Loan.

Accrued interest payable on the US credit facilities as at September 30, 2009 was \$40 (December 31, 2008 - \$71) and these amounts are included in accounts payable and accrued liabilities. As at September 30, 2009, the interest rate was 3.50% (December 31, 2008 - 2.95%). The interest expense for the three months ended September 30, 2009 was \$142 (September 30, 2008 - \$222) and \$421 for the nine months ended September 30, 2009 (September 30, 2008 - \$693). All of the Fund’s U.S. entities have guaranteed the obligations under the U.S. credit facilities agreement, and the borrowings are collateralized by a first lien and security interest in all of the assets of the Fund’s U.S. entities; accordingly, such obligations rank senior to the securities of VFCLP indirectly held by the Fund. The carrying amount of these assets pledged as collateral as at September 30, 2009 was \$23,036 (December 31, 2008 – \$25,646). The loan agreement requires VFCLP to satisfy certain affirmative and negative covenants including a minimum debt service coverage and current ratio. In addition, VFCLP will be permitted to declare and pay distributions of up to 50% of distributable income as defined therein.

On June 30, 2009, VFCLP breached its minimum debt service coverage ratio. The failure to meet this financial covenant is an event of default under the US Capital and Operating Loans. On August 13, 2009, the Fund’s U.S. lender executed a waiver letter related to its credit facilities with VFCLP waiving the foregoing covenant

default in exchange for a waiver fee of \$29 and an increase in pricing on both the US Capital and Operating Loans.

Effective August 13, 2009, the increased pricing of the US Capital Loan is LIBOR plus 3.25% and for the US Operating Loan the interest rate is LIBOR plus 3.00%. The pricing for the US capital facility will be adjusted quarterly in accordance with a pricing formula based on the Fund's long term debt to net worth ratio. Additionally, the Fund's U.S. lender extended the maturity date of the US Operating Loan to July 31, 2010 from the current maturity date of December 31, 2009. The U.S. lender also required additional guarantees from Canadian and US entities within the Fund's current structure. Upon review of the Fund's U.S. credit facilities, the definition of distributable income therein differed from the Fund's definition of distributable income that is applied in its distribution policy. VFLP requested a waiver from the Fund's U.S. lender to address this inconsistency. As a result, the Fund's U.S. lender's issued a waiver deferring the application of the distributable income calculation covenant to December 31, 2009, provided that the Fund converts to a corporation by December 31, 2009.

Contractual Obligations and Commitments

Information regarding the Fund's contractual obligations at September 30, 2009 is set forth in the table below:

<i>(in thousands of dollars)</i>	<u>Total</u>	<u>1 year or less</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>More than 5 years</u>
Long-term debt	\$55,538	\$3,227	\$45,186	\$3,800	\$3,325
Capital leases	602	272	330	-	-
Operating leases	3,850	903	1,704	1,083	158
Total	<u>\$59,990</u>	<u>\$4,420</u>	<u>\$47,220</u>	<u>\$4,883</u>	<u>\$3,483</u>

Capital Expenditures

During the three and nine month periods ended September 30, 2009, the Fund purchased approximately \$410 and \$1,423, respectively of capital assets. These purchases were financed from cash from operations. Management, as part of its strategic initiatives to reduce future operating costs and support growth, has budgeted for the financing of capital expenditures from a combination of cash flows from operations and the sale of existing assets and borrowings, as considered appropriate.

Management expects new capital expenditures to support its strategic plan of achieving cost efficiencies through increased productivity of capital assets. Management may elect, where appropriate, to sell inefficient or non-strategic assets to produce cash to wholly or partially finance new capital expenditures. The Fund will also borrow to maintain, improve and replace capital assets when the return on such investments exceeds targeted thresholds for internal rates of return. There can be no assurance, however, that sources of financing will be available, or will be available on terms favourable to the Fund, or that these strategic initiatives will achieve adequate cost reduction in actual implementation or in light of the competitive pressures on the cost of raw materials and other factors of production. However, management believes that capital resources available to the Fund will be sufficient to support its capital expenditures.

During the three and nine month periods ended September 30, 2009, the Fund incurred \$239 and \$1,136 respectively, in costs to maintain its capital assets. Management estimates approximately \$1,500 to \$2,200 of annual costs are required to maintain the capital assets.

Summary of Quarterly Results

For the three months ended:

<i>(in thousands, except per unit amounts, unaudited)</i>	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007
Net sales	\$32,711	\$42,773	\$21,443	\$30,422	\$30,105	\$44,053	\$28,519	\$31,959
Net earnings (loss)	(2,777)	(374)	640	(1,090)	(1,704)	4,062	3,276	4,779
Basic earnings (loss) per Unit	(\$0.07)	(\$0.01)	\$0.02	(\$0.03)	(\$0.05)	\$0.11	\$0.09	\$0.13
Diluted earnings (loss) per Unit	(\$0.07)	(\$0.01)	\$0.02	(\$0.03)	(\$0.04)	\$0.10	\$0.08	\$0.12

The Fund's Canadian operations peak production period is in the summer months, with no production during the winter season. As a result, prices for products from the Fund's Canadian operations have historically followed a seasonal trend of higher prices at the start and end of its crop year, with lower prices in the summer months when the supply of product is greatest. Conversely, the Fund's U.S. operations year round production allows it to realize higher margins during the October through March period, when the reduced supply of greenhouse produce in North America generally results in higher produce prices. The complementary nature of the growing seasons of the Fund's Canadian and U.S. operations is expected by management of the Fund to contribute to more predictable and stable cash flows for the Fund throughout the year.

Financial Instruments and Risk Management

Risk Management

The Fund is exposed to the following risks as a result of holding financial instruments: market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk. The following is a description of these risks and how they are managed by the Fund.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market place.

Credit Risk

Credit risk is the risk that the Fund will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Fund to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Fund limits its exposure to credit risk by placing its cash and cash equivalents with financial institutions of high credit quality.

The Fund's accounts receivable and other receivables do not have a customer who represents more than 10% of the balance of such receivables as at September 30, 2009. The Fund believes that its accounts receivable risk is limited due to the high credit quality of its customers and the protection afforded to the Fund by the *Perishable Agricultural Commodities Act* (the "PACA") for its sales in the United States, which represent approximately 75% of the Fund's sales. The PACA protection gives a claim filed under the PACA, first lien on all PACA assets (which includes cash and accounts receivable). The PACA fosters trading practices in the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It prohibits unfair and fraudulent practices and provides a means of enforcing contracts. Historical write-offs have represented less than 1% of sales. The maximum amount of credit risk exposure is limited to the carrying amount of the balances on the financial statements.

At September 30, 2009, 1% (December 31, 2008 – 11%) of trade receivables were outstanding for more than 90 days, 9% (December 31, 2008 – 10%) were outstanding for between 30 and 90 days and the remaining 90% (December 31, 2008 – 79%) were outstanding less than 30 days. Trade receivables are considered past due based

on the contract terms agreed to with a customer. As noted above, aged receivables that are past due are not considered impaired unless customer specific information indicates otherwise.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund uses derivative instruments to reduce market exposures from changes in interest rates. The Fund uses derivative instruments only for risk management purposes and not for generating trading profits.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they become due. The following are the contractual maturities of financial liabilities as at September 30, 2009:

Financial liabilities	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	\$8,637	\$8,637	\$-	\$-
Bank debt	55,538	3,227	3,227	49,084
Obligation under capital lease	602	272	269	61
	<u>\$64,777</u>	<u>\$12,136</u>	<u>\$3,496</u>	<u>\$49,145</u>

It is the Fund's intention to meet these obligations through the collection of current accounts receivable and cash. The Fund has available lines of credit of US\$5,000 and CAD\$12 million (as at September 30, 2009, \$1,691 is outstanding on the Canadian line of credit, \$nil on the US line and credit and letters of credit, of \$945 and \$2,133 on the US Operating Loan and the CAD Line of Credit, respectively). If the current resources and cash generated from operations are insufficient to satisfy its obligations, the Fund may seek to issue additional equity or to arrange debt or other financing.

Fair Values

The carrying amount of short-term financial instruments, less provisions for impairment if applicable, is used to estimate the fair value of such instruments. The Fund's debt bears a variable interest rate and therefore its carrying value approximates its fair value. The fair value of derivatives is determined based on published interest rates and contractual terms of the interest rate swap agreements.

Outlook

Overview

Management is committed to employing its strategies with the goal of continuously delivering value to its unitholders. Management's objective is continuous improvement, which equates to continuous revenue growth coupled with effective cost management. The Fund will continue to look for ways to expand its operations and increase its market share. The Fund's strengths include the following: organic growth, growth through strategic acquisition, growth through exclusive marketing agreements with other greenhouse operations, strong competitive position, a solid customer base and disciplined cost control. Management of the Fund remains committed to actively managing these strengths in the future.

Retail and economic data show that consumer fresh produce consumption is down on a year over year basis from 2008 levels. Management expects that consumer demand is bottoming out as the pace of unemployment decreases and expects that demand will increase in 2010 as unemployment rates are projected to decrease. Lower demand has led to lower 2009 pricing for fresh produce, including tomatoes. The Fund's gross margin is highly dependent on pricing as most of its costs are fixed. As such, the Fund's margins will remain under pressure until

pricing starts to trend upwards. During the later part of the third quarter of 2009, pricing trends started to improve over their 2008 levels. If this trend continues, management expects to deliver better year over year results starting in the fourth quarter of 2009.

Management believes its capital structure is sufficient for its current operations and while its lines of credit experienced increased pricing during 2009, its primary debt is long-term and is fixed at attractive rates.

The Fund's recently announced conversion plan from an income trust to a public Canadian corporation is expected to receive the necessary commercial, stock exchange, court and unitholder approvals and should be completed on or before December 31, 2009. The new corporate structure will better enable Village Farms to attract additional equity investments and will improve its ability to execute growth initiatives.

Growth expenditures

Growth expenditures represent capital and greenhouse asset additions required to meet the demands of growth or expenditures that specifically benefit a future period or periods. For the remainder of 2009, management expects to incur growth expenditures that will benefit a future period or periods and to grow the Fund's greenhouse operations.

Other

Taxation of income trusts

On October 31, 2006, the Minister of Finance (Canada) announced proposed changes to the income tax treatment of certain income earned by income trusts and distributions of such income to investors. The proposed legislation received royal assent on June 22, 2007 (the "SIFT Rules"). The SIFT Rules, which are generally effective for the 2011 taxation year, subject to certain conditions which may cause earlier application, make certain income earned by the Fund taxable in a manner similar to income earned by a corporation and distributions of such income to investors would be taxed as dividends from a taxable Canadian corporation.

Conversion Plans

The Fund is planning to convert from an income trust to a Canadian public corporation no later than December 31, 2009, as described above under "Conversion Plans" and "Outlook – Overview".

Financing strategic growth

One of management's principal objectives is to grow organically and through strategic acquisitions. Growth is dependent on the Fund's ability to access debt and equity in the capital markets. Any restrictions will affect the Fund's growth objective.

Distributions

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. In light of the ongoing market uncertainties and challenging economic times, as well as to create a reserve for the anticipated conversion cost and Village Farms' plans to accelerate its growth initiatives, the Trustees of the Fund believe it is prudent to conserve cash and as such, have suspended the monthly distribution effective June 2009.

Distributions are dependent on free cash flow available for distribution and other factors, including but not limited to the Fund's ability to access debt and equity in the capital markets. The rate of distribution declared per Unit and by extension, dividends on the participating preferred shares of VF U.S. Holdings Inc., is reviewed by the Trustees from time to time.

Internal Control over Financial Reporting

The Fund's management, including the CEO and CFO of VF Canada GP Inc. ("VF Canada GP") is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There was no change in the Fund's internal control over financial reporting that occurred during the quarter ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

Risks and Uncertainties

The Fund is subject to various risks and uncertainties which are summarized below. Additional details are contained in the Fund's current Annual Information Form filed on SEDAR, which can be accessed electronically at www.sedar.com.

Risks Relating to the Fund

- Product Pricing
- Maintain Profitability
- Risks Inherent in the Agricultural Business
- Natural Catastrophes
- Vulnerability to Rising Energy Costs
- Competition
- Labour
- Foreign Exchange Exposure
- Key Executives
- Uninsured and Underinsured Losses
- Governmental Regulations
- Risks Associated with Cross Border Trade
- Growth
- Control of the Fund
- Statutory Remedies
- Accounting Estimates
- Retail Consolidation
- Product Liability
- Technological Advances
- Transportation Disruptions
- Dependence Upon Credit Facilities - on June 30, 2009, a U.S. subsidiary of the Fund (VFLP) breached its debt service coverage ratio covenant with the Fund's U.S. lender. The U.S. lender and VFLP agreed to a waiver agreement, which is discussed above (see –"United States Credit Facilities"). If the U.S. lender and VFLP had not agreed to the loan waiver, the breach of the covenant could have been deemed to be an event of default and/or triggered a higher default interest rate.
- Risks of Regulatory Change

Risks Related to the Structure of the Fund

- Cash Distributions Are Not Guaranteed and Will Fluctuate with the Fund's Performance
- Nature of Units
- Redemption Right
- Dependence on Subsidiaries
- Restrictions on Potential Growth
- Dilution of Existing Unitholders
- Future Sales of Units by or on Behalf of the VF Owners
- Price Fluctuation
- Distribution of Securities on Redemption or Termination of the Fund
- Restrictions on Ownership of Units by Non Resident Holders

- Unitholder Liability
- Leverage, Restrictive Covenants and Capital Requirements

Risks Related to Tax

- Income Tax Matters — Canada
- Income Tax Matters — United States
- Potential U.S. Permanent Establishment of VF Canada GP, VFCLP and Village Farms Operating Trust
- Participating Preferred Shares
- Transfer Pricing

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements.

Critical Accounting Estimates

Accounts Receivable

Accounts receivable are measured at amortized cost and due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on an evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Fund determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Fund's previous loss history and the customer's current ability to pay its obligation to the Fund. The Fund writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the bad debt expense.

Inventories

Inventories of Fund-grown produce consist of raw materials, labour and overhead costs incurred less costs charged to cost of sales throughout the various crop cycles, which end at various times throughout the year. Growing crops are valued at the lower of cost or net realizable value which is determined as sales less estimated cost of completion and cost to sell. Cost of sales is based upon incurred and estimated costs to be incurred of each crop allocated to both actual and estimated future yields over each crop cycle. The cost of produce inventory purchased from third parties is valued at the lower of cost or net realizable value which approximates replacement cost.

Income Taxes

The Fund utilizes the assets and liability method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying value amount and the tax basis of assets and liabilities. Management uses judgment and estimates in determining the appropriate rates and amounts in recording future taxes, giving consideration to timing and probability. Actual taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Fund's tax assets and tax liabilities.

Future income tax assets are recognized to the extent that realization is considered more likely than not. The Fund considers past results, current trends and outlooks for future years in assessing realization of income tax assets.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When events or circumstances indicate that the carrying value of long-lived assets, other than indefinite life intangibles, are not recoverable, the long-lived assets are tested for impairment by comparing the estimate of future expected cash flows to the carrying amount of the assets or groups of assets. If the carrying

value of long-lived assets is not recoverable from future expected cash flows, any loss is measured as the amount by which the asset's carrying value exceeds fair value, and such loss recorded in the period. Recoverability is assessed relative to undiscounted cash flows from the direct use and disposition of the asset or group of assets.

Fair value under GAAP is defined as “the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act”. Assessing the fair value of intangible assets requires significant management estimates on discount rates to be applied in the analysis and future cash flows to be generated by the assets, including the estimated useful life of the assets. Discount rates are determined with reference to estimated risk adjusted market rates of return for similar cash flows. The Fund performs sensitivity analysis on the discount rates applied. The discount rates used are subject to measurement uncertainty.

The Fund performed the asset recoverability tests at the end of 2008, using undiscounted cash flows and grouped the definite lived assets at the lowest level for which the Fund determined identifiable cash flows are largely independent of the cash flows of other assets and liabilities. This was determined to be the Canadian and U.S. operations. The cash flow analysis did not extend beyond the remaining useful life of the assets which was estimated as the remaining amortization period of the greenhouse assets in the Canadian and U.S. operations. Internal forecasts were used to derive revenues, cost of sales and other expenditures associated with the Canadian and U.S. operations. The forecasts reflected the market price of tomatoes and gross margin percentages consistent with those that have historically been realized.

Due to the above-noted considerations, which are based on the Fund's best available information, the Fund has not recorded any impairment charge on its long-lived assets during the three months and nine months ended September 30, 2009. However, given the current state of the economy, the Fund expects to continue to perform asset recoverability tests in future periods.

Property and Equipment

Property and equipment is originally recorded at cost. Property under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property or equipment and the present value of those lease payments.

Property and equipment are depreciated to estimated residual values based on the straight-line method over their estimated service lives. Property and equipment under capital leases within variable interest entities are depreciated to estimated residual values over the life of the lease.

Intangible Assets

The intangible assets of the Fund were recorded at their estimated fair values at October 18, 2006 and amortized over their useful life. Intangible assets are subject to impairment tests under GAAP when events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the fair values, the assets are written down to fair value. No write down was required as at September 30, 2009.

Changes in Accounting Policies

The Fund utilizes Canadian generally accepted accounting principles in the preparation of its consolidated financial statements.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, Goodwill and Intangible Assets. This section will replace Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

International Financial Reporting Standards

The Accounting Standards Board of the CICA announced on February 13, 2008 that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced with International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011.

Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP-based clauses (including debt covenants), long-term employee compensation plans and performance metrics. Accordingly, the Fund’s implementation plan includes measures to provide extensive training to key finance personnel, to review relevant contracts and agreements and to increase the level of awareness and knowledge of management, the Trustees, the Fund’s Audit Committee and investors. It is anticipated that additional resources will be engaged to ensure the timely transition to IFRS.

Related Party Transactions

As at September 30, 2009, included in other receivables is a \$428 promissory note from an employee of the Fund in connection with a relocation agreement. The note is secured by real property.

Outstanding Share and Unit Data

The beneficial interests in the Fund are currently divided into interests of two classes, described and designated as “Units” and the “Class A Unit”, respectively. An unlimited number of Units are issuable pursuant to the Second Amended and Restated Declaration of Trust, whereas only one Class A Unit has been authorized for issuance.

As of the date hereof, the Fund has outstanding 13,440,345 Units carrying the right to one vote at a meeting of voting unitholders of the Fund. As of the date hereof, the Fund also had outstanding one Class A Unit, carrying the right to vote as described in the Fund’s current Annual Information Form dated March 25, 2009 (the “AIF”).

As of the date hereof, VF U.S. Holdings Inc. currently has 252,670 participating preferred shares outstanding which, if exchanged for Units of the Fund pursuant to certain exchange rights, would be exchangeable for 25,267,000 Units of the Fund.

As of the date hereof, 38,707,345 Units would be outstanding on a fully-diluted basis, which comprises the 13,440,345 issued and outstanding Units and the 25,267,000 Units that could be issued if all of the participating preferred shares were exchanged for Units.

For further details on the structure of the Fund or the rights attached to each of the above-mentioned securities, please refer to the AIF, which is available electronically at www.sedar.com.

Forward-looking Statements

This MD&A contains certain “forward looking statements”. These statements relate to future events or future performance and reflect Village Farms’ expectations regarding its growth, results of operations, performance, business prospects, opportunities or industry performance and trends. These forward looking statements reflect Village Farms current internal projections, expectations or beliefs and are based on information currently available to Village Farms. 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 MD&A. Actual results may differ materially from any forward looking statement. Although Village Farms believes’ that the forward looking statements contained in this MD&A 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 MD&A, and other than as specifically required by applicable law, Village Farms assumes' no obligation to update or revise them to reflect new events or circumstances.

Public Securities Filings

You may access other information about the Fund, including its AIF and its other disclosure documents, reports, statements or other information that it files with the Canadian securities regulatory authorities, through SEDAR at www.sedar.com.