



**Parkland Income Fund**  
**Annual Information Form**

*For the Fiscal Year Ended December 31, 2009*

March 31, 2010

## TABLE OF CONTENTS

<b>GLOSSARY OF TERMS .....</b>	<b>1</b>
<b>CAUTIONARY STATEMENT REGARDING FORWARD – LOOKING INFORMATION AND STATEMENTS.....</b>	<b>6</b>
<b>CORPORATE STRUCTURE .....</b>	<b>6</b>
PARKLAND INCOME FUND .....	6
<b>INTERCORPORATE RELATIONSHIPS .....</b>	<b>7</b>
ORGANIZATIONAL STRUCTURE OF THE FUND.....	7
PARKLAND INVESTMENT TRUST.....	8
PARKLAND HOLDINGS LIMITED PARTNERSHIP .....	8
986408 ALBERTA LTD.....	8
PARKLAND INDUSTRIES LTD. ....	8
PARKLAND INDUSTRIES LIMITED PARTNERSHIP .....	8
BLUEWAVE ENERGY LTD. ....	9
<b>GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>9</b>
RECENT DEVELOPMENTS .....	9
THREE YEAR HISTORY.....	9
2009 .....	9
2008 .....	10
2007 .....	10
<b>DESCRIPTION OF THE BUSINESS OF THE FUND .....</b>	<b>11</b>
GENERAL.....	11
RETAIL FUEL MARKETING (FAS GAS, FAS GAS PLUS, RACE TRAC, ESSO AND SUNOCO).....	11
CONVENIENCE STORES (SHORT STOP, SHORT STOP EXPRESS) .....	11
COMMERCIAL BUSINESSES .....	11
SUPPLY AND DISTRIBUTION .....	12
OTHER BUSINESSES .....	12
Esso Branded Sites.....	12
Great Northern Oil .....	12
Parkland Refining Ltd.....	12
SUPPLEMENTAL OPERATIONAL INFORMATION .....	12
Capital Expenditures.....	12
Information Technology .....	13
Employees.....	13
Environmental Initiatives.....	13
Significant Contracts.....	13
<b>INFORMATION CONCERNING THE FUND .....</b>	<b>13</b>
DECLARATION OF TRUST.....	13
Object of the Fund .....	14
Year End of the Fund.....	14
Activities of the Fund.....	14
Units in the Fund.....	15
Corporate Trustee Rights and Duties .....	15
Liability of the Corporate Trustee.....	16
Redemption Right .....	16
Meetings of Unitholders.....	18
Exercise of Certain Voting Rights Attached to Securities of the Trust and other Restrictions .....	19
Limitation on Non-Resident Ownership .....	19
Amendments to the Fund Declaration of Trust.....	20

Term of the Fund .....	20
Take-Over Bids .....	21
FUND ADMINISTRATION AGREEMENT .....	21
DEBENTURES .....	21
<b>CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....</b>	<b>22</b>
SIFT LEGISLATION.....	22
TAXATION OF UNITHOLDERS RESIDENT IN CANADA .....	22
TAXATION OF UNITHOLDERS WHO ARE NON-RESIDENTS OF CANADA .....	23
<b>RISK FACTORS .....</b>	<b>23</b>
RISKS RELATED TO THE BUSINESS AND THE INDUSTRY .....	23
Retail Pricing and Margin Erosion.....	23
Competition .....	24
Volatility in Crude Oil Prices and in Wholesale Petroleum Pricing and Supply .....	24
Credit .....	24
Safety and Environmental.....	24
Dependence on Key Suppliers .....	25
Economic Conditions.....	25
Weather.....	25
Dependence on Key Personnel.....	25
Alternate Fuels .....	26
Climate Change.....	26
Technology .....	26
Insurance.....	26
Management Operations of Industries LP.....	26
Interest Rates.....	26
Government Legislation.....	27
Refinery Operating Permit.....	27
Regional Economic Conditions.....	27
RISKS RELATED TO THE STRUCTURE OF THE FUND .....	27
Cash Distributions are Not Guaranteed and will Fluctuate with Performance of the Business .....	27
Capital Investment .....	27
Nature of Units.....	28
Distribution of Securities on Redemption or Termination of the Fund.....	28
The Fund May Issue Additional Units Diluting Existing Unitholders' Interests .....	28
Restrictions on Potential Growth .....	28
Investment Eligibility and Foreign Property .....	28
Enactment of the Tax on Income Trusts .....	28
<b>INFORMATION CONCERNING THE TRUST .....</b>	<b>29</b>
DECLARATION OF TRUST.....	29
Object of the Trust .....	29
<b>INFORMATION CONCERNING HOLDINGS LP .....</b>	<b>30</b>
<b>INFORMATION CONCERNING INDUSTRIES LP .....</b>	<b>31</b>
<b>INDUSTRY CONDITIONS.....</b>	<b>32</b>
INDUSTRY OVERVIEW .....	32
STRATEGY AND COMPETITIVE ADVANTAGES.....	32
<b>CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS .....</b>	<b>33</b>
Corporate Cease Trade Orders .....	33
Corporate Bankruptcies.....	33
Personal Bankruptcies.....	33
Penalties or Sanctions .....	33

<b>AUDIT COMMITTEE INFORMATION.....</b>	<b>33</b>
Audit Fees .....	33
Audit Related Fees .....	33
Tax Fees .....	34
All Other Fees .....	34
<b>DISTRIBUTION POLICY .....</b>	<b>34</b>
CASH DISTRIBUTIONS.....	34
<b>MARKET FOR SECURITIES.....</b>	<b>35</b>
TRADING PRICE AND VOLUME OF UNITS .....	35
PRIOR SALES .....	35
<b>DIRECTORS AND OFFICERS.....</b>	<b>35</b>
DIRECTORS OF THE ADMINISTRATOR .....	35
EXECUTIVE OFFICERS AND MANAGEMENT OF THE ADMINISTRATOR.....	37
<b>REGISTRAR AND TRANSFER AGENT .....</b>	<b>37</b>
<b>INTERESTS OF EXPERTS.....</b>	<b>37</b>
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....</b>	<b>38</b>
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....</b>	<b>38</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>38</b>

## GLOSSARY OF TERMS

The following terms when used in this Annual Information Form have the meanings set forth below, unless otherwise indicated.

"**Administrator**" means Parkland Industries Ltd.;

"**Annual Report**" means the annual report of the Fund dated March 12, 2010;

"**Arrangement**" means the arrangement under Section 193 of the Business Corporations Act involving, among other things, the indirect exchange of Parkland Shares for, at the election of each holder of Parkland Shares, either Units or Rollover LP Units;

"**Bluewave**" means Bluewave Energy Ltd.;

"**Bluewave Energy LP**" means Bluewave Energy Limited Partnership;

"**Board of Directors**" or "**Board**" means the board of directors of the Administrator;

"**Business**" means the marketing of fuels and related products and services to retail and commercial/industrial customers in western and northern Canada as well as Ontario as currently carried on by Industries LP and related companies, including the predecessor businesses historically carried on by Parkland Industries Ltd. and its subsidiaries;

"**Business Acquisition Report**" means the business acquisition report of the Fund dated March 31, 2010 relating to the indirect acquisition by the Fund of the assets of Bluewave Energy LP;

"**Business Corporations Act**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

"**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in the City of Red Deer, Alberta;

"**Class B Units**" means the class "B" limited partnership units of Holdings LP;

"**Class C Units**" means the class "C" limited partnership units of Holdings LP;

"**Corporate Trustee**" means the trustee appointed from time to time to act as trustee for the Fund pursuant to the Fund Declaration of Trust;

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

"**Debentures**" means the 6.50% convertible unsecured subordinated debentures of the Fund;

"**Distributable Cash**" means all amounts distributed or to be distributed to Unitholders in accordance with the Fund Declaration of Trust during any applicable period;

"**Distribution Date**" means a date on which the Administrator is required to make a distribution of Distributable Cash, which date shall be the 15<sup>th</sup> day of the month following each Distribution Record Date or, if any such day is not a Business Day, the last prior Business Day or such other date as may be determined from time to time by the Administrator or otherwise in accordance with the Fund Declaration of Trust;

"**Distribution Record Date**" means, until otherwise determined by the Administrator, the last Business Day of each month of each year, provided that, in any event, December 31 of each year shall be a Distribution Record Date;

**"Exchange Agreement"** means, collectively, the exchange agreement among Holdings LP, the Trust, the Fund and each of the holders of Rollover LP Units pursuant to which, among other things, the holders of Rollover LP Units are granted the right to exchange, indirectly, all or any part of the Rollover LP Units held by such holder for Units of the Fund on a one-for-one basis pursuant to the terms thereof;

**"Exempt Plans"** means trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs") deferred profit sharing plans ("DPSPs") and tax-free savings accounts ("TFSA"), all as defined in the Tax Act;

**"Finance"** means the Department of Finance (Canada);

**"Fund"** or **"Parkland"** means Parkland Income Fund, an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta pursuant to the Fund Declaration of Trust, and as the context requires, includes its subsidiaries and interests in partnerships;

**"Fund Administration Agreement"** means the agreement between the Administrator and the Fund dated June 28, 2002 and amended and restated as at May 5, 2005 pursuant to which the Administrator provides certain administrative and support services to the Fund, as amended, supplemented, restated or replaced from time to time;

**"Fund Assets"**, at any time, shall mean such of the following monies, properties and other assets that are at such time held by the Fund or by the Trustee on behalf of the Fund under the Fund Declaration of Trust;

- (a) the amount of the initial contribution paid by the settlor of the Fund to the Trustees for the purpose of settling the Fund;
- (b) all funds, securities or property derived, directly or indirectly, from the issuance or sale of Units from time to time;
- (c) any Permitted Investments in which funds or other assets constituting Fund Assets may from time to time be invested;
- (d) any funds, securities or other property paid or distributed to the Fund by the issuer of any investment held by the Fund, including, but not limited to, any funds, securities or other property paid or distributed to the Fund by the Trust on any payment under, redemption or repurchase of Trust Units or Trust Notes by the Trust;
- (e) any proceeds of disposition of any assets constituting Fund Assets; and
- (f) all income, interest, dividends, return of capital, profit, gains, distributions and accretions and all substituted assets, rights and benefits of any kind or nature whatsoever arising directly or indirectly from or in connection with or accruing to such foregoing property or such proceeds of disposition.

**"Fund Declaration of Trust"** means the declaration of trust dated as of April 30, 2002 and amended and restated as at May 5, 2005, pursuant to which the Fund was created, as amended, supplemented, restated or replaced from time to time;

**"Grandfathered SIFT"** has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – SIFT Legislation*";

**"Holdings GP"** means 986408 Alberta Ltd., a corporation incorporated under the Business Corporations Act;

**"Holdings LP Agreement"** means the limited partnership agreement governing Holdings LP dated April 30, 2002, as amended, supplemented, restated or replaced from time to time;

**"Holdings LP"** means Parkland Holdings Limited Partnership, a limited partnership formed under the laws of the Province of Alberta;

**"Holdings LP Units"** means the Class A limited partnership units of Holdings LP;

**"Holdings Notes"** means the unsecured subordinated redeemable promissory notes issued by Holdings LP to holders of Parkland Shares pursuant to a note indenture between Holdings LP and Computershare Trust Company of Canada, dated June 28, 2002, in exchange for Parkland Shares on the basis of two Holdings Notes for each Parkland Share;

**"Industries LP Agreement"** means the limited partnership agreement governing Industries LP dated April 30, 2002, as amended, supplemented, restated or replaced from time to time;

**"Industries LP"** means Parkland Industries Limited Partnership, a limited partnership formed under the laws of the Province of Alberta. Industries LP owns substantially all of the assets of the Business and owns and operates the Business;

**"Industries Participating LP Units"** means the Class A limited partnership units of Industries LP;

**"Industries Preferred LP Units"** means preferred limited partnership units of Industries LP that have a fixed preferential return and a preference over the Industries Participating LP Units with respect to the distribution of property and assets upon the dissolution, liquidation or winding up of Industries LP and the return of capital;

**"Interim Period"** has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – SIFT Legislation*";

**"MD&A"** means management's discussion and analysis of the financial condition and results of operations of the Fund for the year ended December 31, 2009;

**"Minister"** means the Minister of Finance (Canada);

**"Non-Resident"** means a non-resident of Canada as such term is construed for the purposes of the Tax Act;

**"Normal Growth Guidelines"** has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – SIFT Legislation*".

**"Parkland Shares"** means common shares in the capital of the Administrator.

**"Permitted Investments"** means, with respect to the Fund (unless otherwise approved by the Administrator from time to time) or with respect to the Trust (unless otherwise approved by the Trust Corporate Trustee from time to time):

- (a) in the case of the Fund, Trust Units, Trust Notes or any other security issued by the Trust or any affiliate thereof and, in the case of the Trust, Holdings LP Units, Holdings Notes, Rollover LP Units or any other security issued by Holdings LP or any affiliate thereof;
- (b) in the case of the Fund, any class or kind of security that is approved as a Permitted Investment under the Fund Administration Agreement or by resolution of the Board of Directors of the Administrator and, in the case of the Trust, any class or kind of security that is approved as a Permitted Investment under the Trust Administration Agreement or by a resolution of the board of directors of the Trust Corporate Trustee;
- (c) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof;

- (d) deposits (including term deposits), guaranteed investment certificates, certificates of deposit or bankers' acceptances of or guaranteed by any Canadian chartered bank or other financial institution the short-term debt or deposits of which have been rated at least R-1 or the equivalent by Standard & Poor's Corporation, Moody's Investors Service, Inc. or Dominion Bond Rating Service Limited;
- (e) commercial paper rated at least R-1 or the equivalent by Dominion Bond Rating Service Limited, in each case maturing within 180 days after the date of acquisition;
- (f) in the case of the Fund, obligations of or issued by the Trust or any affiliate thereof, and in the case of the Trust, obligations of or issued by Holdings LP or any affiliate thereof;
- (g) in the case of the Fund, securities of Holdings GP and the Corporate Trustee;
- (h) in the case of the Fund, any securities issued by the Trust on the redemption or maturity of the Trust Notes;
- (i) in the case of the Fund, any securities issued by the Trust on the redemption of the Trust Units; and
- (j) in the case of the Trust, any securities issued by Holdings LP on the maturity of the Holdings Notes;

"**prorata share**" of any particular amount in respect of a holder of a Unit at any time shall be the product obtained by multiplying the number of Units that are owned by that Unitholder at that time by the quotient obtained when the particular amount is divided by the total number of all Units that are issued and outstanding at that time;

"**Redemption Price**" means the price at which the Units are redeemable;

"**Refinery**" means the refinery located at Bowden, Alberta and held by Parkland Refining Ltd;

"**Restricted Units**" means the restricted Units granted by the Fund pursuant to the Restricted Unit Plan of the Fund to certain directors, officers, consultants and employees of the Fund or any of its subsidiaries which upon vesting, entitle the holder thereof to receive Units on a one-for-one basis;

"**Rollover LP Units**" means, collectively, the Class "B" Units and Class "C" Units, which units are intended to be, to the greatest extent practicable, the economic equivalent of Units and are indirectly exchangeable for Units pursuant to the Exchange Agreement applicable thereto;

"**Securityholders**" means, collectively, the registered holders of Units, Rollover LP Units, options to purchase Units and restricted units of the Fund, from time to time;

"**SIFT Conversion Proposals**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – SIFT Legislation*";

"**SIFT Legislation**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – SIFT Legislation*";

"**Special Resolution**" means a resolution proposed to be passed as a special resolution at a meeting of Unitholders and holders of Rollover LP Units (including an adjourned meeting) duly convened for that purpose and held in accordance with the provisions of the Fund Declaration of Trust at which are present two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 10% of the number of votes attached to Units and Rollover LP Units then outstanding and passed by the affirmative votes of the holders of more than 66 2/3% of the Units and Rollover LP Units represented at the meeting and voted on a poll upon such resolution, or a resolution in writing signed by holders of Units and Rollover LP Units holding more than 66 2/3% of the outstanding Units and Rollover LP Units;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations enacted thereunder;

**"Trust"** means Parkland Investment Trust, an unincorporated open-ended limited purpose trust formed under the laws of the Province of Alberta;

**"Trust Administration Agreement"** means the agreement between the Administrator and the Trust dated June 28, 2002 pursuant to which the Administrator agreed to provide certain administrative and support services to the Trust, as amended, supplemented or restated from time to time;

**"Trust Assets"**, at any time, shall mean such of the following monies, properties and other assets that are at such time held by the Trust or by the Trust Corporate Trustee on behalf of the Trust under the Trust Declaration of Trust:

- (a) the amount of the initial contribution paid by the settlor of the Trust to the Trust Corporate Trustee for the purpose of settling the Trust;
- (b) all funds, securities or property derived, directly or indirectly, from the issuance or sale of Trust Units from time to time;
- (c) any Permitted Investments in which funds or other assets constituting Trust Assets may from time to time be invested;
- (d) any funds, securities or other property paid or distributed to the Trust by the issuer of any investment held by the Trust, including, but not limited to, any funds, securities or other property paid or distributed to the Trust by Holdings LP on any payment under, redemption or repurchase of Holdings LP Units, Holdings Notes or Rollover LP Units by Holdings LP;
- (e) any proceeds of disposition of any assets constituting Trust Assets; and
- (f) all income, interest, dividends, return of capital, profit, gains, distributions and accretions and all substituted assets, rights and benefits of any kind or nature whatsoever arising directly or indirectly from or in connection with or accruing to such foregoing property or such proceeds of disposition;

**"Trust Corporate Trustee"** means the trustee appointed from time to time to act as trustee for the Trust. The current Trust Corporate Trustee is 986413 Alberta Ltd., a wholly-owned subsidiary of the Fund;

**"Trust Declaration of Trust"** means the declaration of trust dated as of April 30, 2002 pursuant to which the Trust was created, as amended, supplemented, restated or replaced from time to time;

**"Trust Note Indenture"** means the trust indenture providing for the issuance of the Trust Notes, dated June 28, 2002;

**"Trust Notes"** means unsecured redeemable subordinated promissory notes of the Trust issued under the Trust Note Indenture. Each Trust Note has a principal amount equal to 75% of the principal amount of a Holdings Note.

**"Trust Unit"** means a unit of the Trust, each such unit representing an equal undivided beneficial interest in the Trust;

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

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

**"Unitholder Rights Plan"** means the unitholder rights plan approved by the unitholders at the Annual and Special Meeting of Unitholders on May 2, 2008; and

**"Units"** means the trust units of the Fund.

## **CAUTIONARY STATEMENT REGARDING FORWARD – LOOKING INFORMATION AND STATEMENTS**

Certain information contained herein regarding the Fund including statements that contain words such as "could", "should", "can", "anticipate", "estimate", "propose", "plan", "expect", "believe", "will", "may" and similar expressions and statements that are not related to historical facts constitute forward-looking information or statements under applicable securities laws. In particular, the forward-looking information and statements include, but are not limited to statements with respect to the Conversion (as defined herein), the 2010 fiscal year, information technology, environmental initiatives, SIFT Legislation and the taxation of Unitholders resident in Canada.

The forward-looking information and statements contained in this Annual Information Form are based upon certain assumptions and factors such as historical trends, current conditions and expected future developments, which the Fund believes are reasonably accurate at the time of preparing this Annual Information Form. However, the forward-looking information and statements contained herein involve known and unknown factors and risks that could cause actual results to vary materially from those anticipated, including, without limitation, factors and risks associated with retail pricing and margins, availability and pricing of petroleum product supply, volatility of crude oil prices, marketing competition, environmental damage, credit granting, interest rate fluctuation and availability of capital and operating funds. Readers are cautioned that the foregoing list of factors is not exhaustive and that additional information on these and other factors that could affect the Fund's operations or financial results is discussed in this Annual Information Form, the Fund's Annual Report and the MD&A on file with Canadian securities regulatory authorities and available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) or the Fund's website at [www.parkland.ca](http://www.parkland.ca).

Consequently, all of the forward-looking information and statements in this Annual Information Form are expressly qualified by this cautionary statement. There is no representation by Parkland and there can be no assurance that actual results achieved will be the same in whole or in part as those set out in the forward-looking information and statements. Readers are therefore cautioned not to place undue reliance on such forward-looking information and statements. The forward-looking statements contained in this document are made as of the date of issue. Parkland does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise.

## **CORPORATE STRUCTURE**

### **PARKLAND INCOME FUND**

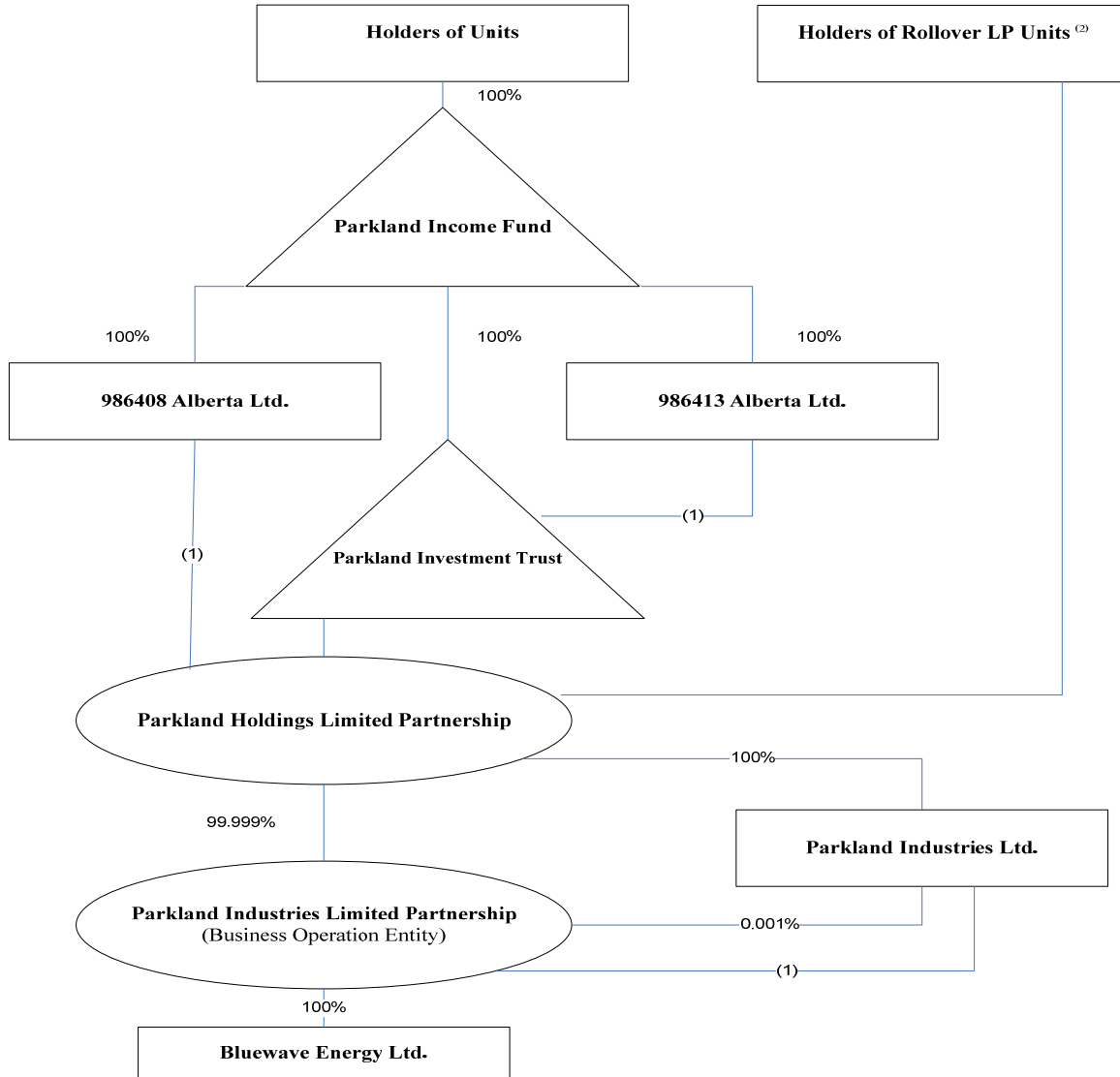
The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and governed by the Fund Declaration of Trust. The Fund is authorized to issue an unlimited number of Fund Units. The registered and head office of the Fund is located at Suite 236, Riverside Office Plaza, 4919 - 59th Street, Red Deer, Alberta, T4N 6C9.

The following diagram sets forth the organizational structure of the Fund and its material subsidiaries as of the date hereof:

## INTERCORPORATE RELATIONSHIPS

### ORGANIZATIONAL STRUCTURE OF THE FUND

The following diagram sets forth the organizational structure of the Fund and its material subsidiaries as of the date hereof:



**Notes:**

- (1) The Trust Corporate Trustee is the trustee for the Trust; Holdings GP is the general partner for Holdings LP. The Administrator is the general partner of Industries LP.
- (2) Holders of Rollover LP Units include vendors of businesses and previous holders of Parkland Shares.

The following table sets forth the names of the material subsidiaries (including limited partnerships) of the Fund, the percent of shares (or interest) owned directly or indirectly by the Fund and the jurisdiction of incorporation, continuance or formation of each such subsidiary at the date hereof:

Name of Subsidiary or Partnership	Percent or Interest Owned	Jurisdiction of Incorporation, Continuance or Formation
Parkland Investment Trust	100%	Alberta
Parkland Holdings Limited Partnership	100%	Alberta
986408 Alberta Ltd.	100%	Alberta
Parkland Industries Ltd.	100%	Alberta
Parkland Industries Limited Partnership	100%	Alberta
Bluewave Energy Ltd.	100%	Alberta

#### **PARKLAND INVESTMENT TRUST**

The Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and governed by the Trust Declaration of Trust. All of the securities of the Trust are held by the Fund. The trustee of the Trust is the Trust Corporate Trustee, a wholly-owned subsidiary of the Fund.

#### **PARKLAND HOLDINGS LIMITED PARTNERSHIP**

Holdings LP is a limited partnership formed under the laws of the Province of Alberta governed by the Holdings LP Agreement. Holdings LP directly, and indirectly through the Administrator, its wholly-owned subsidiary, owns all of Industries LP.

Holdings LP is entitled to issue various classes of partnership interests. The Trust holds all of the issued and outstanding Holdings LP Units. Rollover LP Units issued by Holdings LP are held by the Trust (86%) and by vendors of businesses and previous holders of Parkland shares (14%). Rollover LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Units and, pursuant to the Class B Exchange Agreement and the Class C Exchange Agreement. Rollover LP Units are indirectly exchangeable for Units. Rollover LP Units acquired by the Trust as part of the exchange of Rollover LP Units for Units do not carry a right to vote at a meeting of Unitholders and, accordingly, such units have not been included in the number of Rollover LP Units issued and outstanding in this Annual Information Form. Except in certain limited circumstances, holders of Rollover LP Units are not entitled to receive notice of or attend or vote at any meeting of holders of Holdings LP Units.

#### **986408 ALBERTA LTD.**

Holdings GP, a wholly-owned subsidiary of the Fund, is the general partner of Holdings LP, and, as general partner, manages the business and affairs of Holdings LP.

#### **PARKLAND INDUSTRIES LTD.**

The Administrator was amalgamated under the laws of the Province of Alberta and is a wholly-owned subsidiary of Holdings LP. Pursuant to the Fund Administration Agreement, the administration and management of the Fund is delegated to the Administrator, including the power to call and hold meetings of Unitholders.

#### **PARKLAND INDUSTRIES LIMITED PARTNERSHIP**

Industries LP is a limited partnership formed under the laws of the Province of Alberta governed by the Industries LP Agreement dated April 30, 2002. Industries LP owns substantially all of the assets of and operates the business of the Fund.

The Administrator is the general partner of Industries LP, and, as general partner, manages the business and affairs of Industries LP.

## **BLUEWAVE ENERGY LTD.**

Bluewave is a wholly-owned subsidiary of Industries LP formed under the laws of the Province of Alberta in connection with the purchase of the assets of Bluewave Energy LP on January 31, 2010.

### **GENERAL DEVELOPMENT OF THE BUSINESS**

The Fund, itself and through its subsidiary entities carries on substantially all of the Business. The Fund maintains a number of different business units to track the various areas of its Business. This segregation enables the various operating managers to focus on particular business areas for which they are responsible and provides unique offerings to customers under the various brand names.

### **RECENT DEVELOPMENTS**

**Conversion to a Corporation.** The Fund announced on March 2, 2010 its intention to convert to a high-yield growth-oriented corporation (the "**Conversion**") pursuant to a plan of arrangement under the Business Corporations Act. The Fund anticipates approval from Securityholders in conjunction with its 2010 annual and special meeting of Securityholders (the "**Meeting**") to be held May 3, 2010 and, if approved, expects to complete the Conversion by December 31, 2010. An information circular and proxy statement will be mailed to Securityholders in connection with the Meeting.

**Acquisition of Assets of Bluewave Energy LP.** The Fund announced on February 1, 2010 that it had completed its acquisition of the assets of Bluewave Energy LP (the "**Acquisition**"). In connection with the Acquisition, the Fund increased its total bank credit facilities to \$400 million from \$265 million and issued 1,240,000 Class C Units to certain unitholders of Bluewave Energy LP. The Acquisition is described in greater detail in the Business Acquisition Report, which was filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **THREE YEAR HISTORY**

#### **2009**

On June 16, 2009 Parkland acquired the fuel distribution business of Columbia Fuels Ltd. ("**Columbia Fuels**") Headquartered in Victoria, British Columbia, Columbia Fuels was a fuel distribution company specializing in home heating oil, bulk petroleum and bio fuels and operated bulk fuel terminals on Vancouver Island and the Sunshine Coast region of British Columbia.

On July 8, 2009 Parkland acquired Anmart Fuels (Taber) Ltd. ("**Anmart**") of Taber, Alberta. Anmart served Southern Alberta with two cardlock locations (Taber, Alberta and Foremost, Alberta), lubricants and bulk deliveries of fuel, methanol and glycol. Anmart also offered a complete range of oils, lubricants and automotive degreasers.

On November 10, 2009 Parkland announced that it had entered into an agreement with a syndicate of underwriters to sell to the public on a bought deal basis, \$85 million principal amount of Debentures. Parkland also granted the underwriters an over-allotment option to purchase additional Debentures at the same offering price. On December 1, 2009 the Fund completed the issue resulting in total gross proceeds to the Fund of \$97.75 million aggregate principal amount of Debentures.

On December 1, 2009 Parkland purchased Eagle Marine Ltd. ("**Eagle Marine**") in Ucluelet, BC which consisted of a marine fueling dock and general store. Eagle Marine previously operated under the Petro-Canada banner, fueling excursion vessels, commercial boats, deep water tuna boats and pleasure craft. This strategic location was re-branded to Columbia Fuels, making it the first addition to the brand since acquiring Columbia Fuels.

On December 21, 2009 Parkland announced that it had entered into a definitive agreement to acquire 100% of the assets of Bluewave Energy LP for \$214 million. Bluewave, headquartered in Dartmouth NS, is a national petroleum distribution company and Shell's largest branded distributor in Canada. Bluewave delivers a full slate of petroleum products including diesel fuel, gasoline, heating oil, lubricants and related products and

services to a broad range of commercial, industrial and residential customers through a strong delivery network across Canada. This acquisition made Parkland the largest national independent petroleum distributor in Canada. The acquisition closed on January 31, 2010.

## **2008**

In 2005, Parkland entered into a Retail Branded Distributorship ("**RBD**") agreement with Imperial Oil Ltd. ("**Imperial**"), pursuant to which Parkland manages Imperial's Esso branded independent dealer network in Saskatchewan and Alberta. This management was extended into parts of British Columbia in late 2006 and Ontario in 2008.

In 2008, Parkland made two acquisitions. Parkland acquired the business of Wiebe Transport Inc. ("**Wiebe Transport**"), which expanded the Fund's long-haul trucking capability and provided key infrastructure for commercial development and distribution efficiencies. The acquisition was completed in February of 2008 for \$9.2 million. The Fund's expansion into central Canada began with the retail distributor business and wholesale fuel distribution purchased from Noco Energy Canada Inc. This acquisition was completed in May of 2008 for \$8.8 million and included approximately 56 independently owned and operated Esso, Sunoco and Noco branded locations and 69 wholesale accounts outside the greater Toronto area.

### ***Normal Course Issuer Bid***

On November 14, 2008 Parkland obtained approval from the TSX to commence purchases of up to 10% of its outstanding Units under the terms of a Normal Course Issuer Bid. Purchased Units may be cancelled or reserved for issuance to participants of Parkland's Restricted Unit Plan upon vesting of Restricted Units granted to such participants thereunder.

## **2007**

On January 24, 2007, the Fund closed the indirect acquisition of all the outstanding shares of Neufeld Petroleum & Propane Ltd. and Neufeld Holdings Ltd. (collectively, "**Neufeld**"), a leading fuel, propane and agricultural inputs supplier in western Canada, for consideration of approximately \$124 million (the "**Neufeld Acquisition**"). The Neufeld Acquisition had an effective date of November 1, 2006 and was funded through the issuance of 4,697,082 Class C Units with an aggregate value of \$58.3 million, an equity financing of \$50 million, the assumption of debt and existing cash on hand.

On April 24, 2007 Parkland purchased Joy Propane Ltd. ("**Joy Propane**") of Dawson Creek, British Columbia for \$16.7 million funded by the issuance of 391,590 (post split) Class C Units with an aggregate value of \$5.4 million and \$11.2 million in cash. Joy Propane markets propane to automotive, commercial, agricultural and residential customers from six locations in northeastern British Columbia and northwestern Alberta.

On May 28, 2007 Parkland completed the purchase of United Petroleum Products Inc. ("**UPPI**") of Burnaby, British Columbia for \$17.1 million after adjustments for working capital. The acquisition of UPPI was funded by the issuance of 430,520 (post-split) Class C Units with an aggregate value of \$5.9 million, \$10.4 million in cash and the assumption of \$0.7 million of debt. UPPI is an independent fuel and lubricants marketer in British Columbia.

On November 15, 2007 Parkland purchased the assets and operations of Oliver's Propane Plus of High Prairie, Alberta for \$2.1 million. On December 3, 2007 Parkland purchased the operations of Roblyn Bulk Sales Ltd. of Edson, Alberta for \$3.0 million. The operations of these two businesses are complimentary to those of Neufeld in the region.

### ***Unit Split***

Parkland completed a division of its Units on a three for one basis with a record date of May 25, 2007. The unit split applied equally to the Rollover LP Units.

## DESCRIPTION OF THE BUSINESS OF THE FUND

### GENERAL

The Fund carries on substantially all of its Business, other than the business conducted at the Refinery, through Industries LP. The Fund maintains a number of different business units to track the various areas of its Business. This segregation enables the various operating managers to focus on particular business areas for which they are responsible and provides unique offerings to customers under the various brand names. The following narrative is a brief overview of these business areas. More detailed descriptions are available in the Annual Report under the heading "Review of Operations" and in the MD&A.

#### **Retail Fuel Marketing (Fas Gas, Fas Gas Plus, Race Trac, Esso and Sunoco)**

The Fund operates service stations under various brands which focus on differing customer segments across eastern and central British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and the Territories. Stations are operated under three primary business models. Company-operated or corporate stores are managed and staffed directly by the Fund and as such the Fund has a high level of control over operations. Commission-operated stores are managed by an independent operator who provides staff in exchange for a commission on fuel volumes sold. The commission operator is primarily responsible for any ancillary businesses at the site and often pays a rent to the Fund based on a percentage of other sales revenue generated. Independent dealer sites are sites owned or controlled by others who contract with the Fund for fuel supply for the site.

Customer value and service are critical to the success of the Fund's retail sites. Full service may be provided at prices comparable to competitors' self serve stations in some markets. The Fund's customer value and service, coupled with marketing programs, such as the Litre Log which provides cash rebates to repeat customers, has built a loyal customer base across the network. The Fas Gas Plus station upgrade program continues to be a key strategy for the Fund, whereby significant investment is made to upgrade the site. These investments typically result in increased fuel volumes and increased merchandise sales.

Retail fuel marketing accounted for \$1,055 million of sales revenue in 2009 and \$1,156 million in 2008.

#### **Convenience Stores (Short Stop, Short Stop Express)**

Parkland conducts its convenience store business under its own brand called Short Stop Food Stores. These stores offer a variety of food, beverage, snack and convenience products as well as lottery terminals and ATM's. Many of the stores are open 24 hours and, in many of these locations, offer customers the only 24-hour service in the area. The Fund plans to continue to redevelop stores within its target markets to serve customers better and to enhance the overall financial contribution from the sites.

Convenience store merchandise accounted for \$49 million of sales revenue in 2009 and \$62 in 2008.

### COMMERCIAL BUSINESSES

In 2007 the Fund acquired Neufeld in Grande Prairie, Alberta, Joy Propane in Dawson Creek, British Columbia and UPPI in Burnaby, British Columbia. These acquisitions added to the Fund's wholesale and commercial fuel volumes and also provided a foothold in the sale and distribution of other products. The Fund now has a significant lubricants and oilfield fluids distribution business in western Canada as well as marketing propane and agricultural inputs such as fertilizers and farm chemicals. Propane is supplied for farm use, residential heating and oilfield production sites. As of December 31, 2009 the Fund operated 20 distribution centers offering some or all of these products in Alberta, British Columbia and the Yukon.

This business segment provides diversification and decreases the seasonality of the Fund's cash flow. The commercial operations are seasonally strong during the fall and winter months while the retail fuel marketing business is strong during the spring and summer driving seasons.

Additionally, the Fund markets fuel through 42 cardlock facilities in Alberta and British Columbia.

Commercial product sales accounted for \$93 million of revenue in 2009 and \$92 in 2008.

## **SUPPLY AND DISTRIBUTION**

Obtaining secure sources of fuel supply at competitive prices is a key to the Fund's success. Parkland has long-term agreements with its major fuel suppliers. Being a large volume purchaser with a history of meeting volume and financial commitments makes the Fund a desired customer of these suppliers and helps ensure competitive terms.

Maintaining control over a significant portion of its distribution networks also assists the Fund in providing strong customer service to independent dealers and properly managing inventory levels at corporate stores and commission operations. Petrohaul, the Fund's captive trucking business has a fleet of tanker trailers and handles the majority of the Fund's hauling needs for its retail service stations. The acquisition of the business of Wiebe Transport in Grande Prairie and La Crete, Alberta added significantly to our truck fleet, maintenance facilities and real estate available for development.

An important aspect of supply management is sales to commercial and reseller customers. These customers allow the Fund to increase supply volumes, thereby increasing purchasing power and provide the Fund with a means of balancing supply commitments in periods where the retail stations vary from planned volumes.

Commercial resellers and wholesale customers accounted for \$907 million of sales revenues in 2009 and \$1,155 million in 2008.

## **OTHER BUSINESSES**

### **Esso Branded Sites**

In 2005, Parkland entered a RBD agreement with Imperial. The agreement makes the Fund responsible for managing most of the Esso independent dealer network in Saskatchewan and Alberta, excluding Calgary and Edmonton. In 2006, the agreement was extended into parts of British Columbia. The agreement also gives the Fund the ability to provide the Esso brand to its own dealer network. In 2008 the Fund acquired the fuel supply and marketing business of Noco Energy Canada Inc. in southern Ontario. This business included RBD business in southern Ontario as well as similar arrangements with Sunoco.

### **Great Northern Oil**

Great Northern Oil is the brand name under which the Fund markets home heating fuel from a bulk facility in Whitehorse, Yukon. This facility also supports Fas Gas, Race Trac and Esso service stations located in northern British Columbia, the Yukon and Northwest Territories.

### **Parkland Refining Ltd.**

The Fund owns a refinery at Bowden, Alberta, which suspended production in 2001. In 2007 Parkland entered into a multi-year custom processing agreement with a petrochemical plant to toll produce fluids used in the oilfield industry. This agreement was terminated in 2008. The storage tanks at the site are being used for temporary fuel storage by the Fund and others.

## **SUPPLEMENTAL OPERATIONAL INFORMATION**

### **Capital Expenditures**

During 2009, the Fund expended \$43.6 million in capital investments, of which \$11.6 million was classified maintenance capital and \$32 million was classified as growth capital and intangibles.

## **Information Technology**

The Fund has a team of information technology professionals who maintain operating systems as well as investigate and implement new technologies. During 2009, the Fund continued development of an Enterprise Resource Planning ("**ERP**") system to consolidate accounting systems across the Fund's network. The ERP system is expected to be operational in the first quarter of 2010.

## **Employees**

As at December 31, 2009, the Fund had 1,200 full and part-time employees.

## **Environmental Initiatives**

The Fund has established a comprehensive program to proactively manage environmental issues and mitigate risk within every aspect of its businesses. It ensures risk management processes are in place and sites and equipment are monitored on an ongoing basis.

Procedures related to prudent risk management fall into five areas:

- the Fund undertakes drilling and testing of soil and testing of tanks and lines prior to the purchase or lease of any new site. Ongoing monitoring is in place, including daily reconciliation of inventory balances and regular auditing of the on-site test wells at all retail stations. Parkland has installed cathodic protection systems to inhibit tank deterioration at all stations using steel tanks;
- the use of technology is embraced to ensure environmental standards are upheld. Currently the Fund hires third parties for up-to-date and effective underground tank and soil testing;
- if required, remediation is done efficiently through the Fund's experienced personnel, third party contractors and environmental consultants. Remediations may include low cost vapour extraction systems and monitoring. Given the attention to early detection of risk, remediation costs are relatively low; and
- the Fund has a long-term tank replacement program in place that provides a schedule of replacement of steel underground storage tanks with double walled fiberglass tanks. For the year ended December 31, 2009 approximately \$2.6 million was expended under this program for new tanks and this was categorized as maintenance capital. The timing of expenditures is discretionary and initial plans for the next three years include approximately \$3.5 million of annual maintenance capital to be directed to this program.

All acquisitions require third party environmental surveys prior to final commitment and closing.

## **Significant Contracts**

Parkland relies on a small number of fuel suppliers, all of which are parties to long-term supply agreements with the Fund.

## **INFORMATION CONCERNING THE FUND**

### **DECLARATION OF TRUST**

The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Fund Declaration of Trust which does not purport to be complete. Reference is made to the Fund Declaration of Trust for a complete description of the Units and the full text of its provisions. A copy of the Fund Declaration of Trust can be obtained by a Unitholder by contacting the Corporate Secretary of Parkland at (403) 357-6400.

## **Object of the Fund**

The Fund was created to invest in securities of the Trust and other Permitted Investments.

## **Year End of the Fund**

The fiscal year end of the Fund is December 31. Prior to December 31, 2002, the fiscal year end of Parkland Industries Ltd. was June 30.

## **Activities of the Fund**

The Fund Declaration of Trust provides that the Fund is restricted to:

- (a) investing in securities, including but not limited to Trust Units and Trust Notes, issued by the Trust;
- (b) investing in other securities which are Permitted Investments;
- (c) temporarily holding cash in non-interest bearing and interest-bearing accounts, short-term government debt or investment grade corporate debt for investment or for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption or repurchase of any Units, and making distributions to Unitholders;
- (d) issuing Units or securities convertible or exchangeable for Units (i) for cash or in satisfaction of any non-cash distribution or in order to acquire securities, including those issued by the Trust, (ii) upon the conversion or exchange of securities or debt obligations issued by the Fund or the Trust or any other person or pursuant to agreements entered into by the Fund, (iii) in satisfaction of any indebtedness of or a borrowing by the Fund, or (iv) pursuant to the Arrangement;
- (e) borrowing money, issuing debt securities and entering into hedging arrangements relating thereto;
- (f) guaranteeing the obligations of the Trust or any other affiliate of the Fund pursuant to any good faith debt for borrowed money incurred or hedging arrangements entered into by the Trust or such affiliate, as the case may be, and pledging securities issued by the Trust or such affiliate, as the case may be, as security for such guarantee;
- (g) granting security in any form, over any or all of the Fund Assets to secure any or all of the obligations of the Fund;
- (h) issuing rights and Units pursuant to any Unitholder rights plan adopted by the Fund;
- (i) purchasing or redeeming Units or other securities of the Fund, including Fund Notes, subject to the provisions of the Fund Declaration of Trust and applicable law;
- (j) carrying out any of the transactions, and entering into and performing any of the obligations of the Fund under any agreements, contemplated by the Fund Declaration of Trust or the Arrangement;
- (k) undertaking such other activities, or taking such actions, including, without limitation, investing in securities, as shall be approved by the Administrator from time to time; and
- (l) paying the costs, fees and expenses associated therewith or incidental thereto; provided that the Fund shall not undertake any activity, take any action, omit to take any action or make an investment that would result in (i) the Fund not being considered a "mutual fund trust" for purposes of the Tax Act or (ii) Units being considered "foreign property" for purposes of the Tax Act.

## **Units in the Fund**

The beneficial interests in the Fund are divided into Units, which are entitled to the rights and subject to the limitations, restrictions and conditions set out in the Fund Declaration of Trust as summarized herein. An unlimited number of Units may be created and issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts, and in any Fund Assets (net of liabilities of the Fund) or any other net assets of the Fund in the event of termination or winding-up of the Fund. All Units have equal rights and privileges and are not subject to future calls or assessments. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders for each Unit held. Except as set out under "Information Concerning the Fund – Redemption Right" the Units have no conversion, retraction, redemption or pre-emptive rights.

The Units do not represent a traditional investment and should not be viewed by investors as "shares" in any of the Fund, the Trust, Holdings LP or Parkland. 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.

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.

## **Corporate Trustee Rights and Duties**

The Fund Declaration of Trust provides that, subject to the terms and conditions thereof, the Corporate Trustee may, in respect of the Fund Assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof except that the Administrator shall exercise these rights, powers and privileges on all matters relating to the maximization of Unitholder value in the context of a response to an offer for Trust Units or for all or substantially all of the property and assets of the Fund. The responsibilities of the Corporate Trustee hereunder are however limited to those specific powers granted to it (subject to delegations to the Administrator) and the Corporate Trustee has no obligations to Unitholders or to the Administrator beyond the obligations specifically set out herein.

The Corporate Trustee is responsible for, among other things:

- (a) supervising the activities and managing the investments and affairs of the Fund;
- (b) maintaining the records of the Fund and providing reports to Unitholders;
- (c) declaring distributions on the Units and effecting payment of distributable cash to Unitholders;
- (d) voting in favour of the Fund's nominees to act as directors of the Administrator;
- (e) except as prohibited by law, to delegate any of the powers and duties of the Corporate Trustee to the Administrator or any one or more agents, representatives, officers, employees, independent contractors or other persons (including but not limited to the Administrator) without liability to the Corporate Trustee, except as provided in the Declaration of Trust, and may, from time to time change the Administrator in accordance with the terms and provisions of the Administration Agreement.

The Corporate Trustee may resign upon 60 days written notice to the Administrator and may be removed by a special resolution passed by a two-thirds majority of the votes cast at a special meeting of the Unitholders called for such purpose.

The Fund Declaration of Trust provides that the Corporate Trustee shall act honestly and in good faith with a view to the best interests of the Fund and the Unitholders and in connection therewith shall exercise the

degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Fund Declaration of Trust provides that the Corporate Trustee shall be entitled to indemnification from the Fund in respect of the performance of its duties.

Pursuant to the Fund Administration Agreement, the Corporate Trustee has granted to the Administrator certain operational responsibilities and decision making powers.

### **Liability of the Corporate Trustee**

The Corporate Trustee shall not be liable to any Unitholder or any other person, in tort, contract or otherwise, in connection with any matter pertaining to the Fund or the Fund Assets, arising from the exercise by the Corporate Trustee of any powers, authorities or discretion conferred under the Fund Declaration of Trust, including, without limitation, any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed, any depreciation of, or loss to, the Fund or the Fund Assets 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 the Administrator, or any other person to whom the Corporate Trustee has delegated any of their duties hereunder, or any other action or failure to act (including failure to compel in any way any former Corporate Trustee to redress any breach of trust or any failure by the Administrator to perform its duties under or delegated to it under the Fund Declaration of Trust), unless such liabilities arise principally or directly out of the gross negligence, willful default or fraud of the Corporate Trustee or any of its directors, officers, employees, shareholders, or agents. If the Corporate Trustee has retained an appropriate expert, advisor or legal counsel with respect to any matter connected with the Corporate Trustee's duties under the Fund Declaration of Trust, the Corporate Trustee may act or refuse to act based on the advice of such expert, advisor or legal counsel, and the Corporate Trustee shall not be liable for and shall be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of any such expert, advisor or legal counsel. In the exercise of the powers, authorities or discretion conferred upon the Corporate Trustee under the Fund Declaration of Trust, the Corporate Trustee is and shall be conclusively deemed to be acting as trustee of the Fund Assets and shall 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 Assets. In addition, the Fund Declaration of Trust contains other customary provisions limiting the liability of the Corporate Trustee.

### **Redemption Right**

Units are redeemable at any time on demand by the holders thereof. Upon receipt of a written 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 during the 10 trading day period commencing immediately subsequent to the date 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 Redemption Date.

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

price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; and the weighted average of the last bid and last asking prices of the Units if there was no trading on that date. In the event that a Unitholder is not entitled to receive cash upon a redemption of Units on account of the circumstances referred to in (b) or (c) below, then the "Redemption Price" shall be an amount equal to 90% of the fair market value of the Units on the Redemption Date as determined by the Trustees in their sole discretion.

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 day (the "Payment Date") which is the last day of the calendar month 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 \$100,000, provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any particular calendar month;
- (b) a Unitholder shall not be entitled to receive cash on the redemption of Units if at the time such Units are tendered for redemption, the outstanding Units are not listed on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and
- (c) a Unitholder shall not be entitled to receive cash on the redemption of Units if the normal trading of outstanding Units is suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash on the redemption of Units as a result of the foregoing limitations, then the Fund will deliver to each holder of Units tendered for redemption who is not entitled to receive cash in respect thereof on the Redemption Date a promissory note of the Fund in the principal amount equal to the Redemption Price (a "**Fund Note**") or, at the option of the Fund, each Unit tendered for redemption in respect of which a Unitholder is not entitled to receive cash shall be paid and satisfied by way of a distribution in specie on the Payment Date of securities of the Trust held by the Fund and any other assets of the Fund having a fair market value equal to the Redemption Price, as determined by the Trustees. Each Fund Note will mature on the third anniversary of the Payment Date, will be redeemable at the option of the Fund and will bear interest at a rate equal to the yield prevailing on the Payment Date on Government of Canada obligations having a term not exceeding 90 days, as determined by the Trustee. No fractional Trust Units or Trust Notes nor Trust Units or Trust Notes in integral multiples of fewer than 100 will be distributed and, where the number of securities of the Trust to be received by a Unitholder includes a fraction or a multiple that would be fewer than 100, such number shall be rounded to the next lowest whole number or integral multiple of 100. The Fund shall be entitled to all interest paid on the Trust Notes and the distributions paid on the Trust Units on or before the applicable Payment Date. Where the Fund makes a distribution in specie of securities and other assets of the Fund on the redemption of Units of a Unitholder, the Fund may, in its sole discretion, and currently intends to, treat portions of the amount of the fair market value of such securities (i) not exceeding the amount of any capital gains of the Fund as a result of the distribution of such property as an amount payable out of the net realized capital gains of the Fund; and (ii) not exceeding the amount of accrued interest on Trust Notes distributed on such redemption, as an amount payable out of the income of the Fund.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Fund Notes or securities of the Trust 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 Fund Notes or securities of the Trust and such securities may be subject to an

indefinite "hold period" or other resale restrictions under applicable securities laws. Fund Notes or securities of the Trust so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

In addition, the Fund may from time to time purchase for cancellation some or all of the Units in the market or upon any recognized stock exchange on which such Units are traded or pursuant to tenders received by the Fund upon request for tenders addressed to all holders of record of Units.

### **Meetings of Unitholders**

Meetings of Unitholders and holders of Rollover LP Units are called and held annually for the election of the Board of Directors of the Administrator, the appointment of auditors of the Fund and the transaction of such other business as the Unitholders may be entitled to vote on pursuant to the Fund Declaration of Trust. At such meetings, Unitholders and holders of Rollover LP Units shall vote together and not as separate classes. The Fund Declaration of Trust provides that the Unitholders and holders of Rollover LP Units shall be entitled to pass resolutions that will bind the Fund only with respect to the election or removal of the Trustee, the election or removal of nominees of the Fund to serve as directors of the Trust Corporate Trustee or Holdings GP (except filling casual vacancies), the appointment or removal of the auditors of the Fund, the appointment of an inspector to investigate the performance by the Trustee of its responsibilities and duties in respect of the Fund, the approval of amendments to the Fund Declaration of Trust, the sale of all or substantially all of the assets of the Fund, the exercise of certain voting rights attached to the securities of the Trust held by the Fund (see "*Information Concerning the Fund – Exercise of Certain Voting Rights Attached to Securities of the Trust and other Restrictions*"), and the dissolution of the Fund prior to the end of its term. A resolution electing or removing nominees of the Fund to serve as directors of the Trust Corporate Trustee or Holdings GP and a resolution appointing or removing the Trustee or the auditors of the Fund must be passed by a simple majority of the votes cast by Unitholders and holders of Rollover LP Units voting upon such resolution. The balance of the foregoing matters must be approved by a Special Resolution. For the purposes of the Fund Declaration of Trust, "Special Resolution" means a resolution proposed to be passed as a special resolution at a meeting of Unitholders and holders of Rollover LP Units (including an adjourned meeting) duly convened for that purpose and held in accordance with the provisions of the Fund Declaration of Trust at which are present two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 10% of the number of votes attached to Units and Rollover LP Units then outstanding and passed by the affirmative votes of the holders of more than 66 2/3% of the Units and Rollover LP Units represented at the meeting and voted on a poll upon such resolution.

A special meeting of Unitholders and holders of Rollover LP Units may be convened at any time and for any purpose by the Administrator and must be convened by the Administrator, except in certain circumstances, if requisitioned in writing by the holders of Units and Rollover LP Units representing not less than 10% of the aggregate votes attached to the Units and Rollover LP Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders of record and holders of Rollover LP Units may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy-holder need not be a Unitholder or holder of Rollover LP Units. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attached to all outstanding Units and Rollover LP Units shall constitute a quorum for the transaction of business at all such meetings.

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

The Fund Declaration of Trust contains provisions making a written resolution signed by Unitholders and holders of Rollover LP Units totaling more than 66 2/3% of the outstanding Units and Rollover LP Units as valid and binding for all purposes as if such resolution was passed at a meeting.

## **Exercise of Certain Voting Rights Attached to Securities of the Trust and other Restrictions**

The Fund Declaration of Trust provides that:

- (a) the Trust Corporate Trustee shall not, without the approval of the Unitholders by way of resolution passed by a majority of the votes cast by Unitholders and holders of Rollover LP Units represented at a meeting:
  - (i) vote the Trust Units with respect to any matter which under the Trust Declaration of Trust requires or permits the approval of holders of Trust Units by way of resolution passed by a majority of votes cast by holders of Trust Units at a meeting; or
  - (ii) appoint or change the auditors of the Fund;
- (b) the Trust Corporate Trustee shall not, without the approval of the Unitholders and holders of Rollover LP Units by way of a Special Resolution:
  - (i) vote the Trust Units with respect to any matter which under the Trust Declaration of Trust requires or permits the approval of holders of Trust Units by way of a Special Resolution as defined in the Trust Declaration of Trust;
  - (ii) vote the Trust Notes with respect to any matter which under the Trust Note Indenture requires or permits the approval of holders of Trust Notes by way of a Special Resolution as defined in the Trust Note Indenture;
  - (iii) authorize the termination, liquidation or winding up of the Fund, other than as provided for in the Trust Declaration of Trust; or
  - (iv) amend the Fund Declaration of Trust, except as provided for in the Trust Declaration of Trust; or
  - (v) authorize or approve the combination, arrangement or merger of the Fund with any other person or entity.

In addition, the Fund Declaration of Trust provides that except as contemplated in the Fund Declaration of Trust, the Trust Corporate Trustee shall have no power to sell or otherwise dispose of all or substantially all of the Fund Assets or cause or permit the Trust, Holdings LP or Industries LP to sell or otherwise dispose of all or substantially all of their assets (except all or any part of their interest in Parkland Refining Ltd. or its successors or in the assets or business of Parkland Refining Ltd., including the Refinery), except with the approval of the Unitholders and holders of Rollover LP Units by Special Resolution at a meeting of Unitholders and holders of Rollover LP Units called for that purpose or except as part of an internal reorganization of the direct or indirect assets of the Fund as a result of which the Fund has substantially the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization.

### **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. Accordingly, the Fund Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49% of the Units. The Administrator may require declarations as to the jurisdictions in which beneficial owners of Units are resident.

If the Administrator becomes aware that the beneficial owners of 49% of the Units then outstanding are, or may be, Non-Residents or that such a situation is or may be imminent, the Administrator shall 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 Administrator determines that 49% of the Units are held or beneficially owned by Non-Residents, the Administrator may send a notice to Non-Resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Administrator considers equitable and practicable, requiring them to sell or redeem, within a specified period of not less than 60 days, all or a portion of their Units. If the Unitholders receiving such notice have not sold or redeemed the specified number of Units or provided the Administrator with satisfactory evidence that they are not Non-Residents within such period, the Fund may, on behalf of such Unitholders, sell or redeem such Units and, in the interim, the Administrator shall suspend the voting and distribution rights attached to such Units. Upon such sale or redemption, 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.

### **Amendments to the Fund Declaration of Trust**

The Fund Declaration of Trust may be amended or altered from time to time by Special Resolution, provided that no changes may be made to the rights attached to the Units or other Units of any class or series without the approval of the holders of the affected class or series affected by a Special Resolution passed by holders of such class or series.

The Trustee may, without the approval of the Unitholders and holders of Rollover LP Units, make certain amendments to the Fund Declaration of Trust, including amendments for the purposes of:

- (a) ensuring continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustee or over the Fund;
- (b) providing additional protection, in the opinion of counsel to the Trustee, for the Unitholders and holders of Rollover LP Units;
- (c) making changes for any other purpose not inconsistent with the terms of the Fund Declaration of Trust, including correction or rectification of any ambiguities, defective provisions, errors, mistakes or omissions which are, in the opinion of the Trustee, necessary or desirable and not materially prejudicial to the rights of Unitholders or holders of Rollover LP Units; and
- (d) responding, as necessary or desirable in the opinion of the Trustee to changes in Canadian taxation laws.

### **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 April 30, 2002. On a date selected by the Trustee which is not more than two years prior to the expiry of the term of the Fund, the Trustee is 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 Unitholders may, by Special Resolution, require the Trustee to commence to wind-up the affairs of the Fund.

The Fund Declaration of Trust provides that, upon being required to commence to wind-up the affairs of the Fund, the Trustee will be required to give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustee 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 Unitholders, sell and convert into money the Trust Units, Trust Notes and other Fund Assets (other than cash) in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. 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 Trustee shall, subject to obtaining all necessary regulatory approvals, distribute the remaining part of the proceeds of the sale of the Trust Units, Trust Notes and other Fund Assets (other than

cash) together with any cash among the Unitholders in accordance with their pro rata interests. If the Trustee is unable to sell all or any of the Trust Units or Trust Notes or other Fund Assets which comprise part of the Fund by the date set for termination, the Trustee may distribute the remaining Trust Units and Trust Notes or other Fund Assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

### **Take-Over Bids**

The Fund 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 (including Units issuable upon the exchange of any securities exchangeable into Units 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 held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

### **FUND ADMINISTRATION AGREEMENT**

Under the Fund Administration Agreement, the Administrator will provide certain administrative and support services to the Fund, including without limitation, those necessary to: (i) ensure compliance by the Fund with all applicable securities legislation, including continuous disclosure obligations; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Fund Declaration of Trust, including relevant information with respect to financial reports and income taxes; (iv) call and hold all meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) compute, determine and make distributions to Unitholders of distributions properly payable by the Fund; (vi) attend to all administrative and other matters arising in connection with any redemptions of Units; (vii) ensure compliance with the Fund's limitations on Non-Resident ownership and ownership of foreign property for the purposes of the Tax Act; and (viii) generally provide all other services as may be necessary or as requested by the Corporate Trustee of the Fund for the administration of the Fund. All reasonable out-of-pocket expenses incurred by the Administrator in connection with the provision of these services will be for the account of the Fund.

The amended and restated Administration Fund Agreement has an initial ten year term and is renewable for subsequent three year terms, unless terminated earlier by the Fund, in its sole discretion, by notice in writing to the Administrator given at least 30 days prior to the effective date of termination. The Fund Administration Agreement may be terminated by either party in the event of the insolvency or receivership of the other party, or in the case of default by the other party in the performance of a material obligation under the Fund Administration Agreement (other than as a result of the occurrence of a force majeure event) which is not remedied within 30 days after notice thereof has been delivered.

### **DEBENTURES**

The Fund is authorized to issue the Debentures and has issued \$97.75 million aggregate principal amount of Debentures. The Debentures have a maturity date of November 30, 2014 (the "**Maturity Date**") and bear interest at an annual rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010. The Debentures will not be redeemable before November 30, 2012. On or after November 30, 2012 and prior to November 30, 2013, the Debentures may be redeemed in whole or in part at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the Units on the date immediately preceding the date on which the notice of redemption is given is not less than 125% of \$14.60 per Unit. On or after November 30, 2013 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at a price equal to their principal amount plus accrued and unpaid interest.

Upon the maturity or redemption of the Debentures, the Fund may pay the outstanding principal of the Debentures in cash or may at its option, on not greater than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligations to repay all or a portion of the principal amount of the Debentures which have matured or been redeemed by issuing and delivering that number of Units

obtained by dividing the aggregate principal amount of the Debentures which have matured or redeemed by 95% of the weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

### SIFT LEGISLATION

On June 22, 2007, amendments to the Tax Act to implement proposals originally announced on October 31, 2006 relating to the federal income taxation of certain flow-through entities, referred to as "specified investment flow-through" entities or "SIFTs" under the Tax Act, received royal assent. Under the enacted legislation (the "**SIFT Legislation**", and which, for greater certainty, include all proposed amendments to said rules publicly announced by or on behalf of the Minister of Finance (Canada) (the "**Minister**") prior to the date hereof on the assumption that such proposed amendments will be enacted substantially in the form proposed), a trust which meets the definition of a "SIFT Trust" (as defined in the Tax Act) will be subject to tax at the prevailing federal corporate income tax rate, plus an additional provincial tax factor, on certain of its income paid, or made payable, to unitholders, and such distributions will be treated as eligible dividends paid by a taxable Canadian corporation. Generally, a SIFT Trust is a trust which is resident in Canada, that is listed on a stock exchange or other public market and which holds certain "non-portfolio" properties.

Although the SIFT Legislation does not apply directly to SIFT Trusts that were publicly traded on October 31, 2006 ("**Grandfathered SIFTs**") until January 1, 2011, any "undue expansion" of a Grandfathered SIFT between October 31, 2006 and January 1, 2011 (the "**Interim Period**"), determined in accordance with the guidelines issued by the Department of Finance (Canada) ("**Finance**") on December 15, 2006 (the "**Normal Growth Guidelines**"), may cause the deferred application of the SIFT Legislation to the Grandfathered SIFT to be rescinded. The Normal Growth Guidelines provide that a SIFT Trust should not be considered to have undergone "undue expansion" if the SIFT Trust does not issue new equity (including convertible debentures or other equity substitutes) that exceeds the greater of \$50 million per year or certain specified "safe harbour" amounts based on the market capitalization of the SIFT Trust on October 31, 2006. If the Fund is considered to have undergone an "undue expansion" during the Interim Period, the SIFT Legislation may become applicable to the Fund prior to January 1, 2011. It is assumed, for purposes of this summary that the Fund will qualify as a Grandfathered SIFT. No assurance can be given that the Fund will be able to maintain its status as a Grandfathered SIFT until January 1, 2011. Loss of this status may result in material adverse tax consequences for the Fund and its Unitholders.

On July 14, 2008, Finance released certain proposals to amend the Tax Act that are intended to facilitate the conversion of "mutual fund trusts" (as defined in the Tax Act) into corporations (the "**SIFT Conversion Rules**") on a generally tax-deferred basis. Finance also announced changes to these rules on November 28, 2008 and introduced a notice of ways and means motion on January 27, 2009 implementing the SIFT Conversion Rules. On March 12, 2009, the SIFT Conversion Rules received royal assent in Bill C-10. The SIFT Conversion Rules contain legislation which permits a conversion of a trust to a corporation to occur on a tax-deferred basis under two general types of commercial structures: (i) an exchange transaction, whereby unitholders of a trust would exchange their units for securities issued by a corporation, or (ii) a dissolution transaction, whereby the trust would distribute the securities it holds in its corporate subsidiary to its unitholders in consideration for the redemption of the unitholders' units. Under either scenario, it is expected that the shares received by the Unitholders would be issued by the new "public" entity and would be listed on the TSX or some other public stock exchange. The SIFT Conversion Rules also include certain provisions which permit the consolidation of the trust's structure to occur on a tax-deferred basis. The SIFT Conversion Rules require that the exchange transaction or the dissolution transaction, as the case may be, be implemented prior to 2013. Alternative structures may also exist to enable a SIFT conversion after that date on a tax deferred basis.

### TAXATION OF UNITHOLDERS RESIDENT IN CANADA

Under the existing provisions of the Tax Act and subject to the deferred application of the SIFT Legislation, a Unitholder that is a resident of Canada for the purposes of the Tax Act (other than an Exempt Plan) will

generally be required to include in computing income for a taxation year that part of the income of the Fund for tax purposes, including net taxable capital gains and dividends, if any, that is paid or becomes payable to the Unitholder by the Fund in that year. To the extent that amounts payable to a Unitholder are designated by the Fund as taxable capital gains or dividends, those amounts will be treated as taxable capital gains or dividends, respectively, realized or received by the Unitholder.

Distributions by the Fund to a Unitholder in excess of the Fund's income will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to that negative amount.

A Unitholder who holds Units as capital property will generally realize a capital gain (or capital loss) on the disposition of such Units to the extent that the proceeds of disposition exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Units and reasonable disposition expenses.

Exempt Plans will not generally be liable for any tax with respect to any distributions by the Fund or on any capital gain realized on the disposition of Units.

Distributions received by Unitholders beginning January 1, 2011 will be characterized as eligible dividends received from a Canadian public corporation. Generally, eligible dividends received or deemed to be received by an individual (other than an Exempt Plan) will be included in computing the individual's income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules under the Tax Act normally applicable to eligible dividends received from taxable Canadian corporations. Dividends received or deemed to be received by a holder that is a corporation that is resident in Canada will generally be deductible in computing the corporation's taxable income, and potentially subject to a 33 1/3% refundable tax under Part IV of the Tax Act. A holder that throughout the relevant taxation year is a "Canadian controlled private corporation" as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including taxable capital gains and certain income from SIFT Trusts.

## **TAXATION OF UNITHOLDERS WHO ARE NON-RESIDENTS OF CANADA**

Under the existing provisions of the Tax Act and subject to the deferred application of the SIFT Legislation, any distribution of income by the Fund to a Non-Resident Unitholder will be subject to Canadian withholding tax at a rate of 25 percent unless such rate is reduced under the provisions of a convention between Canada and the Non-Resident Unitholder's jurisdiction of residence.

Pursuant to the SIFT Legislation, amounts in respect of the Fund's income payable to Non-Resident Unitholders that are not deductible to the Fund will be treated as a taxable dividend from a taxable Canadian corporation. Such dividends will be subject to a Canadian withholding tax at a rate of 25 percent, unless such rate is reduced under the provisions of a convention between Canada and the Non-Resident Unitholder's jurisdiction of residence. Although the SIFT Legislation may not increase the tax payable by Non-Resident Unitholders in respect of dividends deemed to be paid by the Fund, it is expected that the imposition of tax at the Fund level under the SIFT Legislation will materially reduce the amount of cash available for distributions to Unitholders.

Non-Resident Unitholders should consult their own tax advisors with respect to the Canadian federal, provincial and territorial tax implications of holding Units.

## **RISK FACTORS**

### **RISKS RELATED TO THE BUSINESS AND THE INDUSTRY**

#### **Retail Pricing and Margin Erosion**

Retail pricing for motor fuels is very competitive, with major oil companies and new entrants such as grocery chains and large retailers active in the marketplace. From time to time, factors such as competitive pricing, seasonal over-supply and lack of responsiveness of retail pricing to changes in crude oil costs can lead to

lower margins in the Fund's business. This is normally limited to seasonal time frames or limited market areas but could occur more extensively. Furthermore, difficult fuel market conditions may also adversely affect the Fund's major customers and create increased credit risk. These risks are partially mitigated by the Fund's other sources of revenue, conservative credit policies, geographic diversification and by the wholesale business, which typically would only share in a portion of any market erosion.

### **Competition**

The Fund competes with major integrated oil companies, other commercial fuel and propane marketers, convenience store chains, independent convenience stores, gas station operators, large and small food retailers, discount stores and mass merchants, many of which are well-established companies. In recent years, several non-traditional retail segments entered the motor fuel retail business, including supermarkets, club stores and mass merchants. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and this could grow. In some of our markets, our competitors have been in existence longer and have greater financial, marketing and other resources than we do. The Fund may not be able to compete successfully against current and future competitors, and competitive pressures faced by the Fund could materially and adversely affect our business, results of operations and financial condition.

### **Volatility in Crude Oil Prices and in Wholesale Petroleum Pricing and Supply**

The Fund's motor fuel and propane revenues are a significant component of total revenues. Crude oil and domestic wholesale petroleum markets display significant volatility. The Fund is susceptible to interruptions in the supply of motor fuel at its facilities. General political conditions and instability in oil producing regions, particularly in the Middle East, Africa and South America, could significantly and adversely affect crude oil supplies and wholesale production costs. Local supply interruptions may also occur. Volatility in wholesale petroleum supply and costs could result in significant changes in the retail price of petroleum products and in lower fuel gross margin per litre. In addition, changes in the retail price of petroleum products could dampen consumer demand for motor fuel. These factors could materially influence the Fund's motor fuel volume, motor fuel gross profit and overall customer traffic, which, in turn, could have a material adverse effect on the Fund's operating results and financial condition. The development of the oilsands in northern Alberta, together with upgraders producing a distillate stream, has the potential to add significant supply volumes in the diesel market over time. Production at these facilities is subject to production interruptions which can periodically disrupt the availability of refined product in the region.

Some of the Fund's supply contracts allow the Fund to participate in refiners' margins. These margins are volatile and not assured.

### **Credit**

The Fund grants credit to customers ranging from small independent service station operators to larger reseller and commercial/industrial accounts. These customers may default on their obligations. Parkland manages this exposure through rigorous credit granting procedures, typically short payment terms and security interests where applicable. The Fund attempts to closely monitor financial conditions of its customers.

### **Safety and Environmental**

The operation of service stations, refinery facilities and petroleum, propane and anhydrous ammonia transport trucks and commercial facilities carry an element of safety and environmental risk. To prevent environmental incidents from occurring, the Fund has extensive safety and environmental procedures and monitoring programs at all of its facilities. To mitigate the impact of a major accident, the Fund has emergency response programs in place and provides its employees with extensive training in operational responsibilities in the event of an environmental incident. The Fund is insured for all major environmental risk areas.

## **Dependence on Key Suppliers**

The Fund's business depends to a large extent on a small number of fuel suppliers, a number of which are parties to long-term supply agreements with the Fund. An interruption or reduction in the supply of products and services by such suppliers could adversely affect the Fund's revenue and distributions in the future. Further, if any of the long-term supply agreements are terminated or end in accordance with their terms, the Fund may experience disruptions in its ability to supply customers with product until a new source of supply can be secured, if at all. Such a disruption may have a material negative impact on the Fund's revenues, distributions and its reputation. Additionally, the Fund cannot ensure that it will be able to renegotiate such agreements or negotiate new agreements on terms favorable to the Fund.

The Fund attempts to mitigate this risk by maintaining a diverse supply portfolio to include substantial volumes from each of its major suppliers and growing to a level of annual sales volumes that will offer potential suppliers a compelling share of the fuel supply business in our regional market. The Fund has contracts in place with six major refiners with contract durations ranging from two to ten years and 57% of the Fund's fuel volumes correspond to contracts with three years or more remaining.

## **Economic Conditions**

Demand for transportation fuels fluctuates to a certain extent with economic conditions. In a general economic slowdown there is less recreational and industrial travel and consequently less demand for fuel products, which may adversely affect the Fund's revenue, profitability and ability to pay distributions.

The Fund serves the farm trade. This sector is subject to weather variation and commodity price fluctuation.

The oil and gas exploration sector is subject to changes in commodity prices and access to capital which impacts the drilling budgets of the Fund's customers. This largely affects oilfield fluids, propane and bulk fuel sales directly as well as impacts communities in primary exploration regions in Alberta and northern British Columbia.

The oil production sector is more stable but will ultimately decline with reduced exploration activity. The Fund provides propane and related product sales to this sector.

Forestry has seen reduced activity over the past two years and continues to be weak.

Mining is susceptible to variations in commodity prices. The Fund's fuel customers include several mines producing different metals and their demand for fuel may decline.

Part of the Fund's profitability is derived from its share of refiners' margins under a long-term supply contract. Refiners' margins may deteriorate in the face of declining demand for petroleum products.

## **Weather**

The Fund's sales volume and profitability are subject to weather influences especially winter temperatures. The Fund's heating oil and propane sales are greatest in the winter months but can decline if winter temperatures are warmer than normal. The Fund has propane and heating oil operations in Atlantic Canada, Ontario, British Columbia and the Yukon which all experience different weather patterns which can mitigate the impacts of regional winter temperature differences. In the spring and fall seasons, weather can negatively influence fertilizer sales in the Fund's commercial business group.

## **Dependence on Key Personnel**

The Fund's success will be substantially dependent on the continued services of senior management. The loss of the services of one or more members of senior management could adversely affect the Fund's operating results. In addition, the Fund's continued growth depends on the ability of the Fund and its subsidiaries to attract and retain skilled operating managers and employees and the ability of its key personnel to manage the

Fund's growth and consolidate and integrate its operations. There can be no assurance that the Fund will be successful in attracting and retaining such managers, employees and other personnel.

### **Alternate Fuels**

Industry continues to develop alternate non-liquid fuel technologies and continues to improve the efficiency of internal combustion engines. To date, no economically viable alternative to the transportation fuels the Fund markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for the Fund's products. As well, the federal government and certain provinces have developed or are developing legislation requiring the inclusion of ethanol in gasoline and use of biodiesel which may negatively affect the overall demand for fossil fuel products.

### **Climate Change**

The Fund does not operate any industrial sites and is not a major emitter of greenhouse gases. The federal and provincial governments in Canada are formulating laws and regulations designed to limit greenhouse gas emissions which would be expected to result in a decline of consumption of petroleum products over time.

### **Technology**

At the operational level, the Fund relies on electronic systems for recording of sales and accumulation of financial data. A major breakdown of computer systems would disrupt the flow of information and could cause a loss of records. This is mitigated by redundancies, emergency response plans and back-up procedures. The conversion and upgrade of electronic systems could result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

The Fund intends to implement its updated ERP system in the first quarter of 2010. The implementation includes the conversion and integration of existing legacy applications and the re-engineering of many processes and controls. Parallel systems will not be fully run at the time of implementation. While there has been robust testing of the new ERP system and extra resources are being deployed to manage the implementation, there is risk that components of the implementation and related applications will not perform as planned, data could be lost and business could be disrupted.

### **Insurance**

Although the Fund has a comprehensive insurance program in effect, there can be no assurance that potential liabilities will not exceed the applicable coverage limits under its insurance policies. Consistent with industry practice, not all risk factors 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. The Fund maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs.

### **Management Operations of Industries LP**

The Board of Directors of the Administrator oversees the management and operation of the Fund's operating entities. As a result, Unitholders will have limited say in matters affecting the operation of the business and, if such holders are in disagreement with the decisions of the Board of Directors, they will have limited recourse. The control exercised by the Board of Directors may make it more difficult for others to attempt to gain control or influence the activities of the operating entities.

### **Interest Rates**

Most of the Fund's loans have floating rates and may be negatively impacted by increases in interest rates, the effect of such increases would be to reduce the amount of cash available for distributions. In addition, the market price of the Units at any given time may be affected by the level of interest rates prevailing at such time. The \$97.75 million aggregate principal amount of Debentures bear interest at a five year annual fixed

rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010, reducing the Fund's exposure to variable rates.

### **Government Legislation**

Transportation fuel sales are taxed by the federal (GST and excise tax), provincial and, in some cases, municipal governments. Increases in taxes or changes in tax legislation are possible and could negatively affect profitability of the Fund.

### **Refinery Operating Permit**

The Bowden refinery has operated as a toll-based petrochemical processing site and fuel storage site. The Fund obtained a new permit in 2007 to allow for continued use or for alternative uses of the facility. The new permit expires in 2017.

If operations at the refinery are not continued, the Fund may incur significant remediation costs. An estimate of the potential future remediation cost has been accrued and provided for in the Fund's financial statements.

### **Regional Economic Conditions**

The Fund's revenues may be negatively influenced by changes in regional or local economic variables and consumer confidence. External factors that affect economic variables and consumer confidence and over which the Fund exercises no influence include unemployment rates, levels of personal disposable income and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of the Fund's market areas. Some of the Fund's sites are located in markets which are more severely affected by weak economic conditions. With the acquisition of the assets of Bluewave Energy LP, with primary operations in Atlantic Canada, the Fund has added Atlantic Canada economic exposure risk and at the same time has diversified overall Canadian exposure that was previously heavily weighted to Western Canada variables.

## **RISKS RELATED TO THE STRUCTURE OF THE FUND**

The following items refer to the structure of the Fund and the legal entities that are contained within this structure. The structure is described in greater detail in this Annual Information Form and the 2009 Information Circular. The Fund owns the Trust which in turn owns a portion of Holdings LP. The remainder of Holdings LP is held by investors through the Class B and Class C Limited Partnership Units. Holdings LP owns Industries LP which conducts most of the business of the Fund and owns Bluewave. Holdings LP also owns the Administrator which is the general partner of Industries LP, Parkland Refining Ltd., which holds the Bowden refinery assets, Joy Propane Ltd, United Petroleum Products, 0851738 BC Ltd. (Columbia Fuels) and Neufeld Petroleum and Propane Ltd.

### **Cash Distributions are Not Guaranteed and will Fluctuate with Performance of the Business**

Although the Fund intends to distribute the interest and distributions income earned by the Fund, 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 Business and transferred indirectly to the Fund.

The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins, capital expenditures and the actual cash amounts distributed to the Fund, directly and indirectly, by the Trust, Holdings LP and Industries LP.

### **Capital Investment**

The timing and amount of capital expenditures will directly affect the amount of cash available for distribution to Unitholders. Distributions may be substantially reduced at times when significant capital or other expenditures are made.

## **Nature of Units**

Securities like the Units of the Fund are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Trusts, Holdings LP, Industries LP or the Administrator and should not be viewed by investors as Trust Units, Trust Notes, Holdings LP Units, Industries Participating LP Units or Parkland Shares. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets will be Trust Notes and Trust Units. The price per Unit is a function of anticipated Distributable Cash and other market factors.

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

## **Distribution of Securities on Redemption or Termination of the Fund**

Upon redemption of units or termination of the Fund, the Trustee may distribute the Fund Notes, Trust Notes, Trust Units or Holdings LP Units directly to the Unitholders, subject to obtaining any required regulatory approvals. Fund Notes, Trust Notes, Trust Units or Holdings LP Units 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 other registered plans, depending upon the circumstances at the time.

## **The Fund May Issue Additional Units Diluting Existing Unitholders' Interests**

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Units for the consideration and on those terms and conditions as are established by the Directors without the approval of any Unitholders. Additional Units will be issued by the Fund on the exchange of Rollover LP Units.

## **Restrictions on Potential Growth**

The payout by Industries LP 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 Industries LP and its cash flow.

## **Investment Eligibility and Foreign Property**

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts, registered education savings plans or other registered plans or that the Units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

## **Enactment of the Tax on Income Trusts**

On June 12, 2007, the legislation ("**Bill C-52**") implementing the new tax on publicly traded income trusts and limited partnerships (the "**SIFT tax**"), referred to as "Specified investment flow-through" ("**SIFT**") entities received third reading in the House of Commons and on June 22, 2007, the Bill received Royal Assent. For SIFTs in existence on October 31, 2006 including Parkland, the SIFT tax will be effective in 2011 or earlier if certain rules related to "undue expansion" are not adhered to.

Under the SIFT tax, distributions from certain types of income will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any resultant trust level taxable income will be taxed at an approximate of the corporate income tax rate. The SIFT rate was initially 31.5% however on October 30, 2007, the Government of Canada, in its Mini-Budget, proposed changing the rate to match corporate rates.

Distributions from income subject to the SIFT tax will be considered taxable dividends to Unitholders, generally eligible for the dividend tax credit. As a result, the SIFT tax will not adversely affect Canadian investors who hold Parkland Units in a non-tax deferred account. Distributions representing a return of capital for income tax purposes will continue to be an adjustment to a Unitholder's adjusted cost base of trust units.

The Conversion and corresponding dividend policy is subject to existing Canadian tax laws and Parkland's outlook for business conditions. Changes in Canadian Tax laws or adverse changes in Parkland's business outlook could negatively impact the Conversion and Parkland's intended corporate dividend policy.

Detailed risk factors in respect of Parkland are described in the MD&A dated February 27, 2010 which is available on the Fund's SEDAR profile at [www.sedar.com](http://www.sedar.com). See also "*Certain Canadian Federal Income Tax Considerations – SIFT Legislation*" in this Annual Information Form.

## **INFORMATION CONCERNING THE TRUST**

### **DECLARATION OF TRUST**

The Trust Declaration of Trust contains provisions substantially similar to the ones appearing in the Fund Declaration of Trust. The principal differences between the Trust Declaration of Trust and the Fund 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 Trust Declaration of Trust and the Fund Declaration of Trust.

#### **Object of the Trust**

The Trust was created to invest initially in securities of Holdings LP and other Permitted Investments.

Exercise of Certain Voting Rights Attached to Securities of Holdings LP and other Restrictions

The Trust Declaration of Trust provides that:

- (a) the Trustee shall not, without the approval of holders of Trust Units by way of resolution passed by a majority of the votes cast by holders of Trust Units at a meeting (or passed by written resolution):
  - (i) vote the Holdings LP Units with respect to any matter which under the Holdings Limited Partnership Agreement requires or permits the approval of holders of Holdings LP Units by way of a resolution passed by a majority of votes cast by holders of Holdings LP Units at a meeting; or
  - (ii) appoint or change the auditors of the Trust.
- (b) the Trustee shall not, without the approval of holders of Trust Units by way of Special Resolution:
  - (i) vote the Holdings LP Units with respect to any matter which under the Holdings Limited Partnership Agreement requires or permits the approval of holders of Holdings LP Units by way of an Extraordinary Resolution as defined in the Holdings Limited Partnership Agreement;
  - (ii) authorize the termination, liquidation or winding up of the Trust, other than as described in the Trust Declaration of Trust;
  - (iii) amend the Trust Declaration of Trust, except as described in the Trust Declaration of Trust; or
  - (iv) authorize or approve the combination, arrangement or merger of the Trust with any other person or entity.

In addition, the Trust Declaration of Trust provides that except as contemplated in the Trust Declaration of Trust, the Trustee shall have no power to sell or otherwise dispose of all or substantially all of the Trust Assets, except with the approval of holders of Trust Units by Special Resolution as defined in the Trust Declaration of Trust at a meeting of holders of Trust Units called for that purpose or except as part of an internal reorganization of the direct or indirect assets of the Trust as a result of which the Trust has substantially the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization.

### **INFORMATION CONCERNING HOLDINGS LP**

Holdings LP holds 99.9% of the Industries Participating LP Units, all of the Parkland Shares and all of the unsecured promissory notes of Parkland.

Holdings GP is the general partner of Holdings LP, and as general partner manages the business and affairs of Holdings LP. Holdings LP is entitled to issue various classes of partnership interests including Holdings LP Units and Rollover LP Units. The Trust holds all of the Holdings LP Units other than Rollover LP Units which are held by certain former shareholders of Parkland.

Holdings LP Units are Class A limited partnership Units of Holdings LP. Holders of Holdings LP Units are considered to be limited partners of Holdings LP for purposes of the Partnership Act (Alberta). Holders of Holdings LP Units are entitled to notice of, and to attend and vote at, all meetings of holders of partnership Units of Holdings LP except as required by law and in certain specified circumstances in which the rights of a holder of Rollover LP Units may be affected. Holders of Holdings LP Units are entitled to distributions in such amounts as Holdings GP may, in its discretion, declare from time to time, provided that no distribution may be made to Holdings GP unless all distributions due to other holders of Holdings LP Units and holders of Rollover LP Units have been made. Holders of Holdings LP Units are entitled to receive, in priority to the holders of the Rollover LP Units, distributions sufficient to allow servicing of all third party obligations of the Trust.

Rollover LP Units are Class B and Class C limited partnership Units of Holdings LP, which Units are intended to be, to the greatest extent practicable, the economic equivalent of Units. Holders of Rollover LP Units are considered to be limited partners of Holdings LP for purposes of the Partnership Act (Alberta). Holders of Rollover LP Units will not be entitled to vote as limited partners of Holdings LP except in certain limited circumstances relating to changes to the rights or obligations attaching to the Rollover LP Units, in which case such holders will be entitled to vote as a separate class and must approve such changes by Extraordinary Resolution as defined in the Holdings Limited Partnership Agreement. Pursuant to the Fund Declaration of Trust, holders of Rollover LP Units are entitled to vote at meetings of holders of Units. Subject to the Trust being entitled to receive, in priority to the holders of the Rollover LP Units, distributions on Holdings LP Units sufficient to allow servicing of all third party obligations of the Trust and after such distributions, holders of Rollover LP Units and Holdings LP Units will receive, on a per unit basis, equivalent distributions at equal priority. Rollover LP Units are exchangeable under the Exchange Agreement at any time at the option of the holder and, in certain circumstances, at the option of Holdings LP or the Trust for Trust Units and Trust Notes in a specified ratio which Trust Units and Trust Notes will be exchanged for Units. Except in certain circumstances, Rollover LP Units may not be transferred without the prior written consent of the Corporate Trustee.

The Holdings Limited Partnership Agreement provides that:

- (a) the general partner of Holdings LP shall not, without the approval of holders of Holdings LP Units by way of resolution passed by a majority of the votes cast by holders of Holdings LP Units at a meeting:
  - (i) vote the Industries Participating LP Units with respect to any matter which under the Industries Limited Partnership Agreement requires or permits the approval of limited partners of Industries LP by way of a resolution passed by a majority of votes cast by limited partners at a meeting; or

- (ii) vote the Parkland Shares in respect of the removal of directors of the Administrator or the election as directors of the Administrator of anyone other than the directors of the general partner of Holdings LP, or in respect of any other matter on which a vote of holders of Parkland Shares is required or otherwise held on a resolution required to be passed by a simple majority of the votes cast by holders (or certain holders) of Parkland Shares, except on any vote required or otherwise held on account of the sale or other disposition of all or any part of (i) the shares of Parkland Refining Ltd., or (ii) the assets or business of Parkland Refining Ltd., including the Refinery.
- (b) The general partner of Holdings LP shall not, without the approval of holders of Holdings LP Units by way of an Extraordinary Resolution as defined in the Holdings Limited Partnership Agreement:
- (i) vote the Industries Participating LP Units with respect to any matter which under the Industries Limited Partnership Agreement requires or permits the approval of limited partners of Industries LP by way of a resolution, passed by more than a simple majority of votes cast by limited partners;
  - (ii) vote the Parkland Shares in respect of any matter on which a vote of holders of Parkland Shares is required or otherwise held on a resolution required to be passed by more than a simple majority of the votes cast by holders (or certain holders) of Parkland Shares, except on any vote required or otherwise held on account of the sale or other disposition of all or any part of (i) the shares of Refineryco, or (ii) the assets or business of Refineryco, including the Refinery;
  - (iii) dissolve the affairs of Holdings LP, except in certain limited circumstances as contemplated in the Holdings Limited Partnership Agreement;
  - (iv) except in connection with a dissolution of Holdings LP, effect a sale or transfer of all or substantially all of the assets of Holdings LP to any person unless such sale or transfer is to a subsidiary of Holdings LP which, in the opinion of counsel to Holdings LP, is or will be classified as a partnership for purposes of the Tax Act;
  - (v) amend the Holdings Limited Partnership Agreement, except in certain limited circumstances as contemplated in the Holdings Limited Partnership Agreement; or
  - (vi) authorize or approve the combination, arrangement or merger of Holdings LP with any other person or entity.

For the purposes of the Holdings Limited Partnership Agreement, "Extraordinary Resolution" means a resolution approved by at least 66 2/3% of the votes cast by those limited partners who, being entitled to vote, vote upon that resolution in person or by proxy at a duly constituted meeting of limited partners or at any adjournment thereof, called in accordance with the Holdings Limited Partnership Agreement, or a written resolution in one or more counterparts signed in original or facsimile form by such limited partners holding Units of Holdings LP to which are attached at least 66 2/3% of the votes entitled to be voted on the relevant matter.

### **INFORMATION CONCERNING INDUSTRIES LP**

Industries LP owns substantially all of the assets of the Business and owns and operates the Business.

The Administrator is the general partner of Industries LP. Industries LP is entitled to issue various classes of partnership interests including Industries Participating LP Units and Industries Preferred LP Units. The Administrator holds a 0.001% equity interest in Industries LP in its capacity as general partner and all of the Industries Preferred LP Units. Holdings LP holds all of the Industries Participating LP Units.

Industries Participating LP Units are Class A limited partnership Units of Industries LP. Holders of Industries Participating LP Units are considered to be limited partners of Industries LP for purposes of the Partnership

Act (Alberta). Holders of Industries Participating LP Units are entitled to notice of, and to attend and vote at, all meetings of holders of partnership Units of Industries LP and except as required by law and in certain specified circumstances in which the rights of a holder of Industries Preferred LP Units may be affected. Holders of Industries Participating LP Units are entitled to distributions in such amounts as the general partner of Industries LP may, in its discretion, declare from time to time, subject to the preferential return payable on the Industries Preferred LP Units described below.

Industries Preferred LP Units are preferred limited partnership Units of Industries LP. Holders of Industries Preferred LP Units are considered to be limited partners of Industries LP for purposes of the Partnership Act (Alberta). Holders of Industries Preferred LP Units are entitled to receive a fixed preferential return. The Industries Preferred LP Units are redeemable at a price equal to the amount of the capital contribution. Holders of the Industries Preferred LP Units also have a preference over the holders of Industries Participating LP Units with respect to the distribution of property and assets upon the dissolution, liquidation or winding up of Industries LP in an amount equal to such redemption price plus all accrued but unpaid preferential returns.

## **INDUSTRY CONDITIONS**

### **INDUSTRY OVERVIEW**

In Canada, the retail and wholesale marketing of gasoline is dominated by the major national integrated oil companies. These companies are also involved in the exploration for and production of oil and gas and the refining business. During the 1990's the major integrated oil companies (the "**majors**") consolidated and rationalized their retail operations in western Canada, focusing on larger sites with convenience stores in urban markets. Competition in these markets is strong between the majors and some independents and successful retail operations are often matched by competitors locating at adjacent corners of the same intersections. Conversely, the Fund focuses its operations outside of urban markets where the competition generally has a lesser presence. Sales volumes per site in these markets are typically lower than in larger centres, however, outside of urban markets typically yield higher average "per litre" margins and can be profitable with lower sales volumes than are required in urban markets.

The transportation fuels marketing industry is susceptible to pricing pressures related to the balance of available supply and consumer demand. The western Canadian market, which is Parkland's largest market area is, due to its geography, relatively inaccessible to product supply from outside the region and transportation fuels are refined in western Canada. This generally provides for more balanced market conditions.

Other significant participants in the market occupied by the Fund include co-operative associations, smaller chains and independent operators. Major grocery chains and "big box" retailers have also entered the retail fuels business, primarily in urban centres, in an attempt to increase their in-store traffic.

### **STRATEGY AND COMPETITIVE ADVANTAGES**

The Fund is Canada's largest national independent marketer of transportation fuels.

The Fund has developed a multi branded network of gasoline stations and convenience stores in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, the Yukon Territory and Northwest Territories. The main focus is to own, operate or supply stations outside of urban markets. The Fund focuses on being a low cost operator and its brand, reputation for value and its transportation and supply arrangements have provided a base for profitability.

The Fund has developed a Commercial / Industrial fuels and related products and services business in Alberta, British Columbia and the Yukon serving customers in a variety of industries. This business, which has grown substantially since 2007 through acquisition, provides market diversification and counter seasonal earnings to our original base retail business.

The Fund gains competitive advantage from its strong petroleum product supply portfolio and control of its distribution system.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

### **Corporate Cease Trade Orders**

To the knowledge of the Fund, no Director or executive officer of the Fund, is as at the date hereof or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director, executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

### **Corporate Bankruptcies**

To the knowledge of the Fund, other than as set forth in the table under the heading "*Directors and Officers – Directors of the Administrator*", no Director, executive officer or controlling securityholder of the Fund is, as of the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Personal Bankruptcies**

To the knowledge of the Fund, no Director, executive officer or controlling securityholder of the Fund has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### **Penalties or Sanctions**

To the knowledge of the Fund, no Director, executive officer or controlling securityholder of the Fund has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) 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.

## **AUDIT COMMITTEE INFORMATION**

### **Audit Fees**

PricewaterhouseCoopers LLP were appointed auditors of the Fund in 2004. PricewaterhouseCoopers LLP billed the Fund for audit services rendered for the year ended December 31, 2009 an aggregate amount of \$345,000 and an aggregate amount of \$320,000 for the year ended December 31, 2008.

### **Audit Related Fees**

PricewaterhouseCoopers LLP billed the Fund for reviews of the Fund's quarterly reports an aggregate amount of \$66,000 for 2009 and an aggregated amount of \$60,000 for 2008.

## **Tax Fees**

PricewaterhouseCoopers LLP billed the Fund for reviews and advice on the income tax provisions in the Fund's quarterly and year end reports an aggregate amount of nil for 2009 and an aggregate amount of \$15,000 for 2008.

## **All Other Fees**

In 2009, PricewaterhouseCoopers LLP billed the Fund \$71,750 for a diagnostic software review and assistance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* testing, and an aggregate amount of \$29,381 for 2008.

## **DISTRIBUTION POLICY**

### **CASH DISTRIBUTIONS**

The amount of cash to be distributed monthly per Unit will generally be equal to a pro rata share of all amounts received by the Fund in each month, including without limitation, interest payments and principal repayments on the Trust Notes and distributions on or in respect of Trust Units, less:

- (a) costs and expenses of the Fund; and
- (b) any amounts which have become payable in cash by the Fund relating to the redemption of Units.

If on any Distribution Record Date the Administrator, on behalf of the Trustee, determines that the Fund does not have available cash in an amount sufficient to pay the full distribution payable on such Distribution Record Date in cash or if any cash distribution should be contrary to any subordination agreement entered into by the Fund, the distribution payable to Unitholders on such Distribution Record Date may, at the option of the Administrator, include a distribution of additional Units or fractions of Units, if necessary, having a value equal to the cash shortfall.

The Fund's income consists of:

- (a) the interest income on the principal amount of Trust Notes; and
- (b) distributions, if any, received on the Trust Units that it holds.

The Fund may make additional distributions in excess of the monthly distributions during the year as the Administrator may determine.

Distributions are paid by the Fund on each Distribution Date to Unitholders of record on the immediately preceding Distribution Record Date. The monthly distribution amount remained consistent at \$0.14 per Unit from August 15, 2002 through August 15, 2004 at which time the monthly payment per Unit was increased to \$0.15, it increased again on December 15, 2005 to \$0.17, June 15, 2006 to \$0.18, September 15, 2006 to \$0.20, December 15, 2006 to \$0.22, January 15, 2007 to \$0.24 and June 15, 2007 to \$0.29. A division of the Units on a three for one basis on June 15, 2007 converted the monthly distribution payment to \$.0967 per Unit and this was again increased on January 15, 2008 to \$0.105 per Unit and remained at \$0.105 per Unit through to December 31, 2009. A special distribution of \$0.10 per Unit was declared for holders of record at December 30, 2005, special distributions totaling \$2.25 per Unit were declared for holders of record at December 31, 2006 and additional special distributions, considering the three for one split effective June 15, 2007, totaling \$0.77 per Unit were declared for holders of record on December 31, 2007. The Board of Directors reviews distribution levels quarterly and may adjust distributions based upon current performance, ongoing maintenance capital requirements, trends and seasonality in the business and the expected sustainability of these trends.

## MARKET FOR SECURITIES

### TRADING PRICE AND VOLUME OF UNITS

The Units are listed for trading on the TSX and trade under the symbol "PKI.UN". The following table sets forth the price range and trading volumes for the Units on the TSX, as reported by the TSX, for the periods indicated:

<b>Month (2009)</b>	<b>High</b>	<b>Low</b>	<b>Volume Traded</b>
January	\$ 7.57	\$ 6.25	2,125,949
February	\$ 8.20	\$ 7.02	1,472,130
March	\$ 8.00	\$ 6.61	1,643,101
April	\$ 9.15	\$ 7.25	2,141,596
May	\$ 9.94	\$ 8.70	3,019,359
June	\$ 9.55	\$ 9.10	1,595,885
July	\$10.94	\$ 9.10	2,652,067
August	\$10.99	\$10.08	1,617,702
September	\$10.36	\$ 9.65	2,131,604
October	\$11.50	\$ 9.81	2,523,336
November	\$12.70	\$10.97	2,432,206
December	\$13.64	\$ 12.21	2,177,895

The Debentures are listed on the Toronto Stock Exchange and trade under the symbol "PKI.DB".

<b>Month (2009)</b>	<b>High</b>	<b>Low</b>	<b>Volume Traded (\$00's)</b>
December	105,000	100,750	177,030

### PRIOR SALES

The following table summarizes the issuances of securities within the twelve month period ending December 31, 2009.

<b>Date of Issuance</b>	<b>Description of Transaction</b>	<b>Number of Securities</b>	<b>Price per Security</b>
December 1, 2009 <sup>(1)</sup>	Issuance of Debentures	\$97.75 million aggregate principal amount of Debentures	\$1,000

**Notes:**

- (1) On December 1, 2009, the Fund issued \$97.75 million aggregate principal amount of Debentures. See "General Development of the Business Three-Year History - 2009."

## DIRECTORS AND OFFICERS

The Fund does not have any directors but the Corporate Trustee has been established pursuant to the Fund Declaration of Trust. The Corporate Trustee of the Fund is listed under "*Information Concerning the Fund - The Corporate Trustee*".

### DIRECTORS OF THE ADMINISTRATOR

The Fund, through its control of the Trust and Holdings LP, is effectively the sole voting shareholder of the Administrator and will be entitled to indirectly elect the Board of Directors.

The following table sets forth the names, jurisdiction of residence, committee memberships, principal occupations or employment for the preceding five years and the date of first being appointed as a director of the Administrator for each of the directors of the Administrator as at March 22, 2010. The term of each director will expire at the end of the next annual meeting of Unitholders or when their successors are duly elected or appointed.

Name and Jurisdiction of Residence	Principal Occupation During the Five Preceding Years	Director of the Administrator Since <sup>(4)</sup>
<b>Independent Directors</b>		
John F. Bechtold <sup>(3)(8)</sup> Victoria, British Columbia, Canada	Vice President of Western Canada Oil and Gas for Petro-Canada prior to retirement in 2000. Retired.	August 10, 2006
Robert G. Brawn <sup>(3)</sup> Calgary, Alberta, Canada	Chairman of Grande Cache Coal Corporation Chairman of Acclaim Energy Trust. Retired.	November 13, 1996
Jim Dinning <sup>(2)(5)</sup> Calgary, Alberta, Canada	Non-executive Chair of Western Financial Group Inc. Executive Vice-President of TransAlta Corporation.	May 5, 2005
Alain Ferland <sup>(3)(8)</sup> Montreal, Quebec, Canada	President of EFFA Management Inc. President of TORR Canada Inc. Retired.	June 22, 1999
Kris Matthews <sup>(2)</sup> Calgary, Alberta, Canada	Principal of The Matthews Group.	May 8, 2003
James Pantelidis <sup>(2)(6)(8)(9)</sup> Toronto, Ontario, Canada	President of JP & Associates, Chairman and CEO of FisherCast Global Corporation. Retired.	September 7, 1999
Ron Rogers <sup>(2)(7)</sup> Calgary, Alberta, Canada	Senior Vice President and Chief Financial Officer of Shaw Communications prior to retirement in 2004. Retired.	September 15, 2006
<b>Non-Independent Directors<sup>(1)</sup></b>		
Michael W. Chorlton Red Deer, Alberta	President and CEO of Parkland Income Fund since September 6, 2005 and Vice President of Renessen LLC prior thereto.	May 5, 2006
David A. Spencer <sup>(3)(5)</sup> Calgary, Alberta, Canada	Partner with Bennett Jones LLP	May 5, 2005

**Notes:**

- (1) Mr. Chorlton is President and Chief Executive Officer of each Parkland entity. Mr Spencer is a partner with Bennett Jones LLP, Parkland's legal counsel.
- (2) Member of the Audit Committee. Chair of the Audit Committee is Ron Rogers. Parkland is required under applicable securities regulations to have an Audit Committee. The members of the Audit Committee have been determined to be financially literate. The education and experience of each Audit Committee member is detailed in Parkland's 2009 Information Circular under the heading Biographical Information, which is available on the Fund's profile at [www.sedar.com](http://www.sedar.com).
- (3) Member of the Compensation and Corporate Governance Committee. Chair of the Compensation and Corporate Governance Committee is Alain Ferland.
- (4) All existing directors of the Administrator have also served as directors of the Trust Corporate Trustee and Holdings GP since the later of their election to the Board of the Administrator or June 28, 2002.
- (5) Prior to the Fund reorganizing to a corporate trustee model in 2005, Jim Dinning and David Spencer served as trustees of the Fund since August 19, 2004 and April 30, 2002, respectively.
- (6) Mr. Pantelidis made a private equity investment in Tattoo Footwear Inc. and joined the board of that company in 2003. In the 12 month period following the sale of his shares and departure from the Board of Tattoo Footwear Inc., the company went into receivership.
- (7) From 2000 to mid 2002 Mr. Rogers represented Shaw Communications on the board of directors of G.T. Telecom. At a subsequent date G.T. Telecom filed bankruptcy proceedings.
- (8) Member of the Petroleum Products Supply Advisory Committee.

- (9) Chairman of the Board of Directors.

## EXECUTIVE OFFICERS AND MANAGEMENT OF THE ADMINISTRATOR

The following table sets out the executive officers and members of the senior management team of the Administrator, each person's name, municipality of residence and their office held with Parkland.

<b>Name and Municipality of Residence</b>	<b>Offices with Parkland<sup>(1)</sup></b>
Michael W. Chorlton Red Deer, Alberta, Canada	President and Chief Executive Officer
Kenneth J. Grondin Red Deer, Alberta, Canada	Senior Vice President and Chief Financial Officer, and Corporate Secretary
Robert B. Espey Red Deer, Alberta, Canada	Chief Operating Officer
Stewart T. MacPhail Red Deer, Alberta, Canada	Executive Vice President, Corporate Development
Bradley D. Williams Red Deer, Alberta, Canada	Executive Vice President, Commercial Business Group
L. Alan Crossley Red Deer, Alberta, Canada	Senior Vice President, Supply and Distribution
R. G. Dean Mackey Red Deer, Alberta, Canada	Senior Vice President, Human Resources and Administration, and Chief Privacy Officer

**Note:**

- (1) Bradley D. Williams and Stewart T. MacPhail have been in similar occupations with Parkland over the last five years. Michael W. Chorlton, prior to September, 2005 was Senior Vice President of Renessen LLC; Kenneth J. Grondin, prior to July, 2009 was Chief Financial Officer for Nygard International Ltd. ;L. Alan Crossley, prior to September, 2007 held various positions with Noco Lubricants Company including Vice President and General Manager; Robert B. Espey prior to November 10, 2008 was President and CEO of FisherCast Global Corporation and R.G. Dean Mackey prior to January 5, 2009 was Vice President, Human Resources for Americredit Financial Services.

As of December 31, 2009, the directors and executive officers of the Administrator, as a group, beneficially owned, or controlled or directed, directly or indirectly, 920,275 Units (representing approximately 2.1% of the issued and outstanding Units and approximately 2.0% of the issued and outstanding Units and Rollover LP units on a fully converted basis) and 49,308 Rollover LP Units (representing approximately 0.6% of the issued and outstanding Rollover LP Units and approximately 0.01% of the issued and outstanding Units and Rollover LP Units on a fully converted basis).

## REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar for the Units is Valiant Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

## INTERESTS OF EXPERTS

As at the date hereof, the partners and associates of PricewaterhouseCoopers LLP, Chartered Accountants, the external auditors of the Fund, as a group, did not beneficially own, directly or indirectly, any of the outstanding Units or Rollover LP Units.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Fund is not aware of any material legal proceedings or regulatory actions to which the Fund is a party or in respect of which any of the Fund's property are, nor are any such proceedings known by the Fund to be contemplated.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of any of the directors and executive officers of the Administrator, or any known associate or affiliate of any such person, or, to the best knowledge of the directors and executive officers of the Administrator, of any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Units or Rollover LP Units (on a fully converted basis) or any known associate or affiliate of any such person, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Fund, except as disclosed in the Management Information Circular dated March 12, 2010.

## **ADDITIONAL INFORMATION**

Additional information concerning the Fund is available through the Internet on SEDAR which may be accessed at [www.sedar.com](http://www.sedar.com). Copies of such information may also be obtained without charge, on the Fund's website at [www.parkland.ca](http://www.parkland.ca) or by request to the Corporate Secretary, at the office of the Fund at Suite 236, Riverside Office Plaza, 4919 – 59<sup>th</sup> Street., Red Deer, Alberta, Canada T4N 6C9; by telephone at (403) 357-6400; and by facsimile at (403) 352-0042.

Additional information, including information regarding directors' and officers' remuneration, will be contained in the Management Information Circular of the Fund provided for the Annual and Special Meeting of Securityholders to be held on May 3, 2010, and filed on SEDAR. Additional financial information is provided in the Fund's annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2009 which are contained in the Annual Report. Copies of such documents may be obtained in the manner set forth above.