

Corporate Office
135 Queen's Plate Drive
Suite 300
Toronto, Ontario
M9W 6V1



BFI CANADA INCOME FUND
NOTICE OF ANNUAL MEETING OF VOTING UNITHOLDERS
MAY 12, 2005

NOTICE IS HEREBY GIVEN that the annual meeting (the "Meeting") of the holders of ordinary units (the "Units") and the Class A unit (the "Class A Unit" and, together with the Units, the "Trust Units") (the "Voting Unitholders") of BFI Canada Income Fund (the "Fund") will be held at the Gallery, Toronto Stock Exchange, 130 King Street West, Toronto, Ontario on **Thursday, May 12, 2005 at 2:00 p.m.**, Toronto time, for the following purposes:

- (a) to receive the financial statements of the Fund for the period ended December 31, 2004 and the report of the auditors thereon;
- (b) to appoint auditors and to authorize the trustees to fix the remuneration of the auditors; and
- (c) to transact such other business as may properly come before the Meeting and any and all adjournments thereof.

A management information circular and form of proxy accompany this Notice.

DATED at Toronto, Ontario this 16th day of March, 2005.

BY ORDER OF THE BOARD OF TRUSTEES

A handwritten signature in black ink, appearing to be "W. Chyfetz", written over a horizontal line.

William Chyfetz
Vice President, General Counsel and Secretary,
BFI Canada Holdings Inc.

If you are a Voting Unitholder and you are unable to attend the Meeting in person, you are requested to date, sign and return the enclosed form of proxy in the envelope provided for that purpose to Computershare Investor Services Inc. so as to arrive not later than 5:00 p.m. (Toronto time) on May 10, 2005 or, if the Meeting is adjourned, 48 hours (excluding weekends and holidays) before any reconvened meeting. The enclosed form of proxy may be returned by facsimile to (416) 981-9800, or by mail (a) in the enclosed envelope, or (b) in an envelope addressed to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1. Only Voting Unitholders of record at the close of business on March 16, 2005 will be entitled to vote at the Meeting or any adjournment thereof.



BFI CANADA INCOME FUND

**135 Queen's Plate Drive, Suite 300
Toronto, Ontario
M9W 6V1**

MANAGEMENT INFORMATION CIRCULAR

DATED MARCH 16, 2005

THE FUND AND BFI CANADA NEWCO

BFI Canada Income Fund (the "Fund") is a limited purpose trust established under the laws of the Province of Ontario by a declaration of trust dated February 28, 2002, as amended and restated on April 15, 2002 and further amended and restated on January 21, 2005 (the "Second Amended and Restated Declaration of Trust").

The Fund's activities are restricted to investing in and otherwise dealing with securities, including those issued by its subsidiary entities, 4264126 Canada Limited ("BFI Canada Newco"), BFI Canada Holdings Inc. ("BFI Canada Holdings"), IESI Corporation ("IESI"), and other entities involved, directly or indirectly, in the business of non-hazardous solid waste collection, management and disposal. The Fund also carries on certain other activities permitted by the Second Amended and Restated Declaration of Trust. The affairs of the Fund are supervised by its board of trustees (the "Board of Trustees" or "Trustees") who are responsible for, among other things, representing the Fund as a direct or indirect shareholder or noteholder of BFI Canada Newco, BFI Canada Holdings and IESI and effecting payments of distributable cash from the Fund to holders of ordinary units of the Fund.

PROXY SOLICITATION AND VOTING AT THE ANNUAL MEETING

Solicitation of Proxies

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by the Trustees of the Fund from registered owners of ordinary units (the "Units") and the Class A unit (the "Class A Unit" and, together with the Units, the "Trust Units") of the Fund for use at the annual meeting (the "Meeting") of holders of Trust Units (the "Voting Unitholders") of the Fund to be held on May 12, 2005 at the Gallery, Toronto Stock Exchange, 130 King Street West, Toronto, Ontario at 2:00 p.m., and at any adjournment thereof, for the purposes set forth in the Notice of Meeting. Proxies will be solicited primarily by mail and may also be solicited personally by the Fund or its subsidiaries at nominal cost. The cost of such solicitation will be borne by the Fund.

Appointment of Proxies

The persons named in the enclosed form of proxy are Trustees of the Fund. **A Voting Unitholder who wishes to appoint some other person to represent such Voting Unitholder at the Meeting may do so by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy. Such other person need not be a Voting Unitholder of the Fund.**

To be valid, proxies must be returned to Computershare Investor Services Inc. so as to arrive not later than 5:00 p.m. (Toronto time) on May 10, 2005 or, if the Meeting is adjourned, 48 hours (excluding weekends and holidays) before any reconvened meeting. Proxies may be returned by facsimile to (416) 981-9800, or by mail

(a) in the enclosed envelope, or (b) in an envelope addressed to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

Voting of Trust Units — Advice to Non-Registered Holders

Only registered holders of Trust Units or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Trust Units of the Fund beneficially owned by a person (a “Non-Registered Holder”) are registered either: (i) in the name of an intermediary (an “Intermediary”) with whom the Non-Registered Holder deals in respect of the Trust Units (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”)) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101, the Fund will have distributed copies of the Notice, this Circular and the form of proxy (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the “Voting Instructions Form”) which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Trust Units of the Fund they beneficially own. Should a Non-Registered Holder who receives the Voting Instructions Form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instructions Form and a form of legal proxy will be sent to the Non-Registered Holder. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

Revocation of Proxies

A registered Voting Unitholder who has given a proxy may revoke the proxy (a) by completing and signing a proxy bearing a later date and returning it to Computershare Investor Services Inc. in the manner and so as to arrive as described above, (b) by depositing an instrument in writing executed by the Voting Unitholder or by the Voting Unitholder’s attorney authorized in writing (i) at the head office of the Fund at any time up to and including the last business day preceding the date of the Meeting, or any reconvened meeting, at which the proxy is to be used, or (ii) with the Chairperson of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or (c) in any other manner permitted by law.

Voting of Proxies

The persons named in the accompanying form of proxy will vote or withhold from voting the Trust Units in respect of which they are appointed in accordance with the direction of the Voting Unitholder appointing them, and if the Voting Unitholder specifies a choice with respect to any matter to be acted upon, the Trust Units will be voted accordingly. **Where no choice is specified, the proxy will confer discretionary authority and will be voted FOR the appointment of the auditors and the authorization of the Trustees to fix the remuneration of the auditors, as set out in this Circular. The enclosed form of proxy also confers discretionary authority upon the persons named therein to vote with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of the printing of this Circular, the Trustees know of no such amendments, variations or other matters to come before the Meeting.** However, if any such amendment, variation or other matter properly comes before the Meeting, it is the intention of the persons named in the accompanying form of proxy to vote thereon in accordance with their judgment.

TRUST UNITS AND THE RETAINED INTEREST

On March 16, 2005, the Fund had outstanding 46,602,489 Units and one Class A Unit. Each holder of Trust Units of record at the close of business on March 16, 2005, the record date established for notice of the Meeting, will be entitled to vote on all matters proposed to come before the Meeting even though such Voting Unitholder may have since that date disposed of such Voting Unitholder's Trust Units. No Voting Unitholder becoming such after that time shall be entitled to vote at the Meeting or any adjournment thereof.

On November 28, 2004, the Fund, certain of its affiliates and IESI entered into an agreement (the "Transaction Agreement"), which provided for, among other things, the combination of the business carried on by BFI Canada Holdings and its subsidiaries (collectively, "BFI Canada") with the business carried on by IESI and its subsidiaries (the "Transaction"). Following the completion of the Transaction on January 21, 2005, the Fund indirectly owns all of the outstanding common shares of BFI Canada Holdings and IESI, the holding companies for the combined business' Canadian and U.S. operations, respectively. Also, on the completion of the Transaction, the former equity investors in IESI (the "Retained Interest Holders"), were issued participating preferred shares of IESI (the "Participating Preferred Shares"), which were exchangeable for approximately 23.3 million Units, representing an approximately 35.6% interest in the Fund at that date.

So long as the holder of the Class A Unit is entitled to designate at least one Trustee (as described below), the holders of the Participating Preferred Shares are entitled, voting together as a single class, to designate one of the three directors of IESI. The holders of the Participating Preferred Shares are entitled to exercise all rights associated with the Class A Unit that was issued to IESI on the completion of the Transaction. The Class A Unit entitles the holder to exercise voting and other rights as a unitholder of the Fund (subject to certain restrictions with respect to the designation and election of Trustees) as though the holder held the number of Units that would be owned by the Retained Interest Holders assuming the exercise in full of the rights granted by the Fund to the Retained Interest Holders, pursuant to the securityholders' agreement dated January 21, 2005 between the Fund, BFI Canada Newco and IESI for the benefit of the Retained Interest Holders (the "Securityholders' Agreement") to acquire Units in exchange for Participating Preferred Shares (the "IESI Exchange Rights"). See "Trust Units and the Retained Interest — Governance Arrangements". In particular, the Class A Unit enables the holder to vote on all matters at any meeting (including resolutions in writing) of Voting Unitholders on the basis of one vote for each Unit for which the then-outstanding Participating Preferred Shares are exchangeable. Accordingly, the holder of the Class A Unit will be entitled to cast 17,746,570 votes on any matters presented to the Voting Unitholders at the Meeting, based on the number of Units issuable to the Retained Interest Holders as at March 16, 2005, the record date for the Meeting.

Holders of Units will be entitled to cast one vote for each Unit held of record as at March 16, 2005, the record date for the Meeting, on any matters presented to the Voting Unitholders at the Meeting.

Governance Arrangements

Concurrent with the completion of the Transaction, the Fund, BFI Canada Newco and the Retained Interest Holders agreed to a series of provisions contained in the constating documents of the Fund and in certain related agreements (including the Securityholders' Agreement) relating to the governance of those entities and establishing the respective rights of their securityholders as to board representation, approval rights in respect of certain transactions, exchange rights and related matters (the "Governance Arrangements").

The Governance Arrangements provide for the composition of the Board of Trustees and the board of directors of BFI Canada Newco and create obligations for the parties to nominate and/or vote for the election of certain representatives to those boards. The Governance Arrangements also prescribe the establishment of specified committees of those boards and their respective mandates, as well as the composition of those committees.

The Governance Arrangements initially provide for a seven-member Board of Trustees and a seven-member board of directors of BFI Canada Newco composed of the same individuals, following the completion of the Transaction. The number of members of such boards may not be changed so long as the Retained Interest Holders own at least 10% of the then-outstanding Units (calculated on a fully-diluted basis), including Units that may be acquired upon exercise of the exchange rights associated with the Participating Preferred Shares.

Following the completion of the Transaction, the members of the Board of Trustees are Keith A. Carrigan, Daniel M. Dickinson, Charles F. Flood, James J. Forese, Daniel R. Milliard, T. Iain Ronald and Joseph H. Wright who will hold office until the annual meeting of the Voting Unitholders in 2006. Thereafter, the composition of the Board of Trustees shall be determined as follows:

- Two members of the Board of Trustees will be designated by the Retained Interest Holders (through the holder of the Class A Unit) (subject to reduction as set out below); and
- The balance of the members of the Board of Trustees will be elected by the Unitholders, with the governance and nominating committee of the Board of Trustees proposing nominees to be elected.

The members of the Board of Trustees who are designated by the Retained Interest Holders, through the holder of the Class A Unit, will be appointed as Trustees in accordance with the Second Amended and Restated Declaration of Trust and will not be elected or subject to removal by Unitholders. The remaining members of the Board of Trustees will be elected by the Unitholders, and the Retained Interest Holders are not entitled to vote with respect to the election of such Trustees.

The Retained Interest Holders' entitlement to designate members of the boards of the Fund and BFI Canada Newco will depend on the number of Units owned by the Retained Interest Holders, including Units that may be acquired upon exercise of the exchange rights associated with the Participating Preferred Shares. Of the seven members of each of those boards, the number of members that may be designated by the Retained Interest Holders will be based on the following table:

<u>Ownership Interest</u>	<u>Number of Members</u>
20% or greater	2
Between 10% and 20%	1
Less than 10%	0

Commencing with the Fund's annual general meeting to be held in 2006, the Fund's nominees for election as Trustees at each annual general meeting of Voting Unitholders will be determined in accordance with the foregoing provisions and will be set out in the Fund's proxy solicitation materials for such meeting. The Retained Interest Holders' rights to board representation will be determined annually in conjunction with the preparation of such proxy solicitation materials, and will remain effective until the next following annual general meeting of Voting Unitholders notwithstanding any intervening change in their direct or indirect ownership interest (calculated as described above) in the relevant entities.

To the extent that the Retained Interest Holders are no longer entitled to designate a member of the boards of the Fund and BFI Canada Newco, the number of members that will be elected by the Unitholders or shareholders, as applicable, at the next annual meeting of the relevant entity will increase correspondingly.

To the knowledge of the Trustees, no person or company other than IESI Corporation, TC Carting III, L.L.C., TC Equity Partners IV, L.L.C., Thayer Equity Investors IV, L.P., and Thayer Management Partners, L.L.C. beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Units.

MATTERS TO BE CONSIDERED AT THE MEETING

Financial Statements

The consolidated financial statements of the Fund for the period ended December 31, 2004, together with the auditors' report thereon, are contained in the 2004 Annual Report mailed to Voting Unitholders with this Circular. Such financial statements and auditors' report will be submitted to the Meeting. Receipt thereof at the Meeting will not constitute approval or disapproval of any matter referred to therein.

Appointment of Auditor

It is proposed that the firm of Deloitte & Touche LLP, Chartered Accountants, be re-appointed as auditors of the Fund, to hold office until the next annual meeting of the Voting Unitholders or until their successor is

appointed and that the Trustees be authorized to fix the remuneration of the auditors. Deloitte & Touche LLP have been the auditors of the Fund since its inception in 2002. Proxies received in favour of management's nominees will be voted **FOR** the appointment of Deloitte & Touche LLP, Chartered Accountants, as auditors of the Fund and the authorization of the Trustees to fix the remuneration of the auditors, unless the Voting Unitholder has specified in the proxy that such Voting Unitholder's Trust Units are to be withheld from voting in respect thereof.

Deloitte & Touche LLP billed the Fund and its subsidiaries \$836,335 and \$262,000 for 2004 and 2003, respectively, for audit services (including matters relating to financial information in the prospectus of the Fund for its subscription receipt offering in 2004), \$301,252 and \$79,000 for 2004 and 2003, respectively, for audit-related services (including accounting consultations and translation services) and \$1,100,166 and \$108,000 for 2004 and 2003, respectively, for tax compliance, tax advice and tax planning services (including matters relating to the Fund's subscription receipt offering in 2004 and tax planning on certain transactions).

COMPENSATION OF EXECUTIVE OFFICERS

Under applicable securities legislation, the Fund is required to disclose certain financial and other information relating to the compensation of the chief executive officer, the chief financial officer and the next three most highly compensated executive officers (other than the chief executive officer and the chief financial officer) of the Fund's subsidiary entities. During 2004, the executive officers of BFI Canada Holdings and of IESI were responsible for the management of BFI Canada Holdings and IESI, respectively. The Fund indirectly acquired all of the outstanding common shares of IESI on January 21, 2005.

The tables and descriptive information set forth below present information about compensation of (i) BFI Canada Holdings' Chief Executive Officer, (ii) BFI Canada Holdings' Chief Financial Officer, and (iii) the three other most highly compensated executive officers of BFI Canada Holdings whose salary and bonus earned during the financial year ended December 31, 2004 exceeded \$150,000 (the "BFI Canada Holdings Named Executive Officers"), determined in accordance with applicable rules, and (iv) the three most highly compensated executive officers of IESI whose salary and bonus earned during the financial year ended December 31, 2004 exceeded \$150,000 (the "IESI Named Executive Officers" and, together with the BFI Canada Holdings Named Executive Officers, the "Named Executive Officers"). Reference is made to the "Report on Executive Compensation by the BFI Canada Newco Compensation Committee" on page 12 of this Circular. Tables with respect to defined benefit or actuarial plan compensation have been omitted as no relevant compensation was earned by or awarded or paid to any of the Named Executive Officers during the year ended December 31, 2004. Following the closing of the Transaction on January 21, 2005, the executive officer positions of Keith A. Carrigan, Joseph D. Quarin and William Chyfetz indicated below were changed as these individuals now hold equivalent positions, having the same titles, with BFI Canada Newco.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$) ⁽³⁾
		Salary (\$)	Bonus (\$) ⁽⁴⁾	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARS Granted (#)	Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$) ⁽²⁾	
Keith A. Carrigan President and Chief Executive Officer, BFI Canada Holdings	2004	411,743	205,871	—	—	—	97,690	9,095
	2003	402,917	199,875	—	—	—	Nil ⁽⁴⁾	8,031
	2002 ⁽⁵⁾	257,877	124,000	—	—	—	—	5,092
Joseph D. Quarin Chief Financial Officer, BFI Canada Holdings	2004	199,563	79,825	—	—	—	47,348	8,411
	2003	196,917	77,500	—	—	—	34,981	7,362
	2002 ⁽⁵⁾	120,342	42,000	—	—	—	—	3,747
Martin Irish Vice President, Ontario and Manitoba, BFI Canada Holdings	2004	217,485	65,245	—	—	—	51,600	8,477
	2003	211,150	51,664	—	—	—	40,978	7,462
	2002 ⁽⁶⁾	94,294	23,063	—	—	—	—	2,752
Yves Normandin Vice President, Québec, BFI Canada Holdings	2004	232,530 ⁽⁷⁾	351,753	—	—	—	49,838	8,629
	2003	203,940	80,556	—	—	—	39,578	7,383
	2002 ⁽⁵⁾	136,159	52,800	—	—	—	—	4,315
William Chyfetz Vice President, General Counsel and Secretary, BFI Canada Holdings	2004	179,207	48,386	—	—	—	42,519	7,508
	2003	173,988	49,587	—	—	—	33,766	7,300
	2002 ⁽⁵⁾	116,161	33,243	—	—	—	—	3,587
Charles F. Flood President and Chief Executive Officer, IESI Corporation ⁽⁸⁾	2004	US\$349,712	US\$150,000	—	US\$44,000 ⁽⁹⁾	—	—	US\$9,879
Thomas J. Cowee Senior Vice President, Chief Financial Officer, Treasurer and Assistant Secretary, IESI Corporation ⁽⁸⁾	2004	US\$239,885	US\$100,000	—	US\$26,500 ⁽⁹⁾	—	—	US\$6,101
Thomas L. Brown Senior Vice President, Chief Operating Officer, IESI Corporation	2004	US\$224,804	US\$75,000	—	US\$1,500 ⁽⁹⁾	—	—	US\$5,973

- (1) The BFI Canada bonus plan entitled Mr. Carrigan, Mr. Quarin, Mr. Irish, Mr. Normandin and Mr. Chyfetz to annual cash bonuses of between 30% and 50% of their base salary based on BFI Canada Holdings' success in achieving financial objectives and on their individual success in accomplishing the personal goals and expectations set out in their objectives for the year. Mr. Normandin received an additional bonus in fiscal 2004 in relation to successfully obtaining a permit allowing BFI Canada Holdings to expand its Lachenaie landfill in Terrebonne, Québec.
- (2) The BFI Canada Long-Term Incentive Plan (the "BFI Canada LTIP") was established in 2003. BFI Canada Holdings contributes to the trust established under the BFI Canada LTIP the respective amounts set out in the table for the benefit of the respective BFI Canada Named Executive Officers. The funds are used by the trust to purchase Units in the market. See "Compensation of Executive Officers — Long-Term Incentive Plan".
- (3) For Mr. Carrigan, Mr. Quarin, Mr. Irish, Mr. Normandin and Mr. Chyfetz, amounts in this column include contributions made in respect of BFI Canada Holdings' deferred profit sharing plan (the "DPSP") and premiums paid for life insurance. Each of the BFI Canada Holdings Named Executive Officers is eligible to receive DPSP contributions, and each year BFI Canada Holdings makes contributions on their behalf equal to 3% of their earnings under the DPSP up to the maximum allowable amount under the *Income Tax Act* (Canada). For Mr. Flood, Mr. Cowee and Mr. Brown, amounts in this column include matching contributions made under the IESI Corporation 401(k) Plan and life insurance premiums. The following matching contributions were made under the IESI Corporation 401(k) Plan during 2004: Mr. Flood, US\$6,500; Mr. Cowee, US\$4,977; and Mr. Brown, US\$4,374. The following life insurance premiums were paid during 2004: Mr. Flood, US\$3,379; Mr. Cowee, US\$1,124; and Mr. Brown, US\$1,599.
- (4) Mr. Carrigan elected to waive his entitlement under the BFI Canada LTIP in respect of 2003 and have it allocated to the other participants in the BFI Canada LTIP.

- (5) Compensation earned in the period from April 25, 2002 to December 31, 2002.
- (6) Compensation earned in the period from July 22, 2002 (when Mr. Irish joined BFI Canada Holdings) to December 31, 2002.
- (7) Includes a lump sum payment in relation to accrued vacation in the amount of \$22,472.
- (8) Following the closing of the Transaction on January 21, 2005, Mr. Flood was also appointed Executive Vice President, BFI Canada Newco, and Mr. Cowee was also appointed Vice President, Integration, BFI Canada Newco.
- (9) Includes options granted on January 1, 2004 under the IESI Corporation 1999 Stock Option Plan.

Bonus Plan

In fiscal 2004, the BFI Canada Holdings Named Executive Officers participated in the BFI Canada bonus plan (the “Bonus Plan”), which entitled senior officers to annual cash bonuses of up to 50% of their base salary based on BFI Canada Holdings’ success in achieving financial objectives and on their individual success in accomplishing the personal goals and expectations set out in their objectives for the year. The Compensation and Corporate Governance Committee of the board of directors of BFI Canada Holdings (the “Compensation and Corporate Governance Committee”) approved Mr. Carrigan’s annual objectives for 2004 and reviewed his performance during 2004, subject to the approval of the board of directors of BFI Canada Holdings. The annual objectives of the other Named Executive Officers for 2004 were set by the President and Chief Executive Officer, who also reviewed their performance during 2004, subject to the approval of the Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee also approved the fiscal 2004 annual plan targets for the Bonus Plan. The Bonus Plan will remain substantially similar for fiscal 2005.

Long-Term Incentive Plan

The BFI Canada Long-Term Incentive Plan (the “BFI Canada LTIP”) was established in 2003. In 2004, the BFI Canada LTIP was administered by the Compensation and Corporate Governance Committee, which had the power, among other things, to determine those directors, officers and employees who would participate in the BFI Canada LTIP. For the year ended December 31, 2004, directors, officers and employees of BFI Canada selected by the Compensation and Corporate Governance Committee (the “Participants”) were eligible to participate in the BFI Canada LTIP. For the years ending December 31, 2005 and later, the directors, officers and key employees of the Fund’s subsidiary entities will be eligible to participate in an amended BFI Canada LTIP, which will be administered by BFI Canada Newco. The purpose of the BFI Canada LTIP is to establish a performance-based incentive plan for directors, officers and employees that will align the interests of senior management with the interests of the Voting Unitholders.

Pursuant to the BFI Canada LTIP, for the year ended December 31, 2004, each Participant’s employer contributed funds, determined on the basis of BFI Canada Holdings’ financial performance, to a trust established for the purpose of holding Units pursuant to the terms of the BFI Canada LTIP (the “Trust”). For the years ended December 31, 2005 and later, a Participant’s employer may contribute funds, to be determined on the basis of BFI Canada Newco’s financial performance, to the Trust. The Trust purchases Units in the market with such funds and holds such Units in trust for each Participant. Distributions on such Units are distributed by the Trust to the Participants in the year of receipt. Upon the termination of employment of a Participant, with or without cause, or a Participant’s death, disability or retirement, the Units held on such Participant’s behalf (after the sale of such number of Units as may be required to fund the payment of any applicable tax deductions and other costs) will be distributed by the Trust to the Participant. In 2004, the amount allocated to each Participant for the purchase of Units on the Participant’s behalf was approved by the Compensation and Corporate Governance Committee.

Contributions to the BFI Canada LTIP are based upon the excess, if any, of actual earnings before interest, taxes, depreciation and amortization (EBITDA) earned in a year over the aggregate of distributions declared in the year, interest, current income taxes, amortization of capitalized landfill asset closure and post-closure costs, and maintenance capital expenditures incurred in the year. A portion of that excess is available for contribution to the BFI Canada LTIP. The contribution to the BFI Canada LTIP is computed as being 10% of the first \$3,000,000 of the excess, 15% of the next \$3,000,000 of the excess and 18% of any additional excess. The amount

contributed to the BFI Canada LTIP in any year cannot exceed 15% of the total excess described above. For fiscal 2004, the total contributions to the BFI Canada LTIP were approximately \$994,000.

Commencing in 2004, all or part of the bonuses payable to employees who participated in the Bonus Plan may, at the option of each employee, be contributed to the Trust to be dealt with under the terms of the BFI Canada LTIP. In addition, commencing in 2004, all or part of the directors' fees payable to the directors of BFI Canada Holdings or BFI Canada Newco may, at the option of each director, be contributed to the Trust to be dealt with under the terms of the BFI Canada LTIP.

The Fund has undertaken to file a copy of the amended BFI Canada LTIP on SEDAR upon its approval by BFI Canada Newco and IESI.

**Long-term Incentive Plans —
Awards in Most Recently Completed Financial Year**

Name	Units or Other Rights (#) ⁽¹⁾	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities-Price-Based Plans ⁽²⁾		
			Threshold (\$ or #)	Target (\$ or #)	Maximum (\$)
Keith A. Carrigan President and Chief Executive Officer, BFI Canada Holdings	3,743	Immediate	—	—	—
Joseph D. Quarin Chief Financial Officer, BFI Canada Holdings	1,814	Immediate	—	—	—
Martin Irish Vice President, Ontario and Manitoba, BFI Canada Holdings	1,977	Immediate	—	—	—
Yves Normandin Vice President, Québec, BFI Canada Holdings	1,910	Immediate	—	—	—
William Chyfetz Vice President, General Counsel and Secretary, BFI Canada Holdings	1,629	Immediate	—	—	—

(1) The BFI Canada LTIP was established in 2003. BFI Canada Holdings contributes to the trust established under the BFI Canada LTIP (the "Trust") the respective amounts set out in the table for the benefit of the Named Executive Officers. The funds are used by the Trust to purchase Units in the market. The Trust purchased the Units awarded for fiscal 2004 on March 16, 2005 at a price of \$26.10 per Unit.

(2) The BFI Canada LTIP is a securities-price-based plan.

Stock Option Plans

The Fund and its subsidiary entities did not have any stock option plans during the year ended December 31, 2004. The following information is provided with respect to grants of options to the IESI Named Executive Officers during fiscal 2004 pursuant to the IESI Corporation 1999 Stock Option Plan. All of the options granted pursuant to the IESI Corporation 1999 Stock Option Plan were cancelled on the completion of the Transaction on January 21, 2005. See "Material Terms and Conditions of Employment Agreements".

Option/SAR Grants During the Most Recently Completed Financial Year

Name	Securities Under Options/SARs Granted ⁽¹⁾ (#)	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price (US\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (US\$/Security) ⁽²⁾	Expiration Date
Charles F. Flood President and Chief Executive Officer, IESI Corporation	44,000	43%	\$100	\$150.64	January 1, 2014
Thomas J. Cowee Senior Vice President, Chief Financial Officer, Treasurer and Assistant Secretary, IESI Corporation	26,500	25%	\$100	\$150.64	January 1, 2014
Thomas L. Brown Senior Vice President, Chief Operating Officer, IESI Corporation	1,500	1%	\$100	\$150.64	January 1, 2014

(1) Consists of options granted on January 1, 2004 under the IESI Corporation 1999 Stock Option Plan.

(2) Value of IESI common stock as of the Transaction closing date on January 21, 2005.

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-end Option/SAR Values

Name	Securities Acquired on Exercise (#) ⁽¹⁾	Aggregate Value Realized (US\$) ⁽²⁾	Unexercised Options/SARs at FY-End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options/SARs at FY-End (US\$) Exercisable/Unexercisable ⁽²⁾
Charles F. Flood President and Chief Executive Officer, IESI Corporation	44,000	2,228,160	99,000/0	6,113,162/0
Thomas J. Cowee Senior Vice President, Chief Financial Officer, Treasurer and Assistant Secretary, IESI Corporation	26,500	1,341,960	49,500/0	2,966,581/0
Thomas L. Brown Senior Vice President, Chief Operating Officer, IESI Corporation	1,500	75,960	14,500/0	979,251/0

(1) Consists of options granted on January 1, 2004 under the IESI Corporation 1999 Stock Option Plan.

(2) Valuation is based on the value of IESI common stock as of the Transaction closing date on January 21, 2005.

MATERIAL TERMS AND CONDITIONS OF EMPLOYMENT AGREEMENTS

The success of BFI Canada depends on the leadership, dedication and experience of its senior management group. Upon the completion of the Transaction on January 21, 2005, BFI Canada Newco and IESI entered into new or amended employment agreements with certain senior officers. The agreements contain, among other things, confidentiality, non-solicitation and non-competition covenants that will apply during the term of each officers' employment and for a specific period of time after termination of their employment. All of the Named Executive Officers are parties to employment agreements with BFI Canada Holdings, BFI Canada Newco or IESI which outline the terms and conditions of their employment.

BFI Canada Holdings has entered into an employment agreement with Keith A. Carrigan relating to his employment for a period of three years from April 25, 2002. The agreement provides for base salary and a bonus

arrangement to a maximum of 50% of base salary and contains confidentiality, non-solicitation and non-competition covenants which apply during the term of employment and for a period of one year following the termination of employment. The agreement provides that Mr. Carrigan's employment may be terminated by BFI Canada Holdings without cause if he is provided with at least 12 months' prior notice or payment of 12 months' base salary plus an amount equal to the bonus paid to him in the prior fiscal year, prorated based on the number of months of service in the year of termination. The agreement also provides that if his employment is terminated without cause or if he resigns for "good reason" after a change of control, Mr. Carrigan will be entitled to receive an amount equal to two times his then annual base salary and two times the bonus paid to him in the fiscal year of BFI Canada Holdings immediately preceding the change in control. Mr. Carrigan's agreement was amended by agreement dated January 20, 2005 which provided for a bonus on the closing of the Transaction equal to 120% of Mr. Carrigan's 2005 base salary, to be paid 50% in cash and 50% as a contribution to the BFI Canada LTIP. The terms of Mr. Carrigan's employment agreement otherwise remain in force.

Joseph D. Quarin has entered into an employment agreement with BFI Canada Newco effective January 21, 2005, which provides that he will serve as Chief Financial Officer of BFI Canada Newco. The agreement provides that Mr. Quarin will receive an annual salary of \$260,000, participate in the BFI Canada LTIP, and may be eligible to receive a bonus of up to 40% of base salary if certain performance targets are met (or greater than 40% in the case of exceptional performance). The agreement may be terminated by BFI Canada Newco for cause or by Mr. Quarin. If the agreement is terminated without cause, Mr. Quarin will be entitled to payment of an amount equal to his base salary and an amount in respect of bonus and the BFI Canada LTIP entitlement for the lesser of (i) 24 months (increased to 36 months after five years) following termination and (ii) the number of months to Mr. Quarin's 65th birthday, paid in equal monthly installments. If Mr. Quarin's employment is terminated within six months preceding or 24 months following a change of control, the above severance payment will be paid as a lump sum and all unvested incentive compensation and share based compensation shall vest immediately.

Charles F. Flood has entered into an employment agreement with IESI and BFI Canada Newco effective January 21, 2005, which provides that he will serve as Executive Vice President of BFI Canada Newco, and President and Chief Executive Officer of IESI Corporation. The agreement provides that Mr. Flood will receive an annual salary of US\$360,500 and participate in the BFI Canada LTIP. It also provides that Mr. Flood may be eligible to receive an annual bonus of up to 33% of base salary if certain performance targets are met (or greater than 33% in the case of exceptional performance). As approved by the shareholders of IESI Corporation, Mr. Flood is entitled to receive a bonus consisting of (i) US\$700,000 payable on January 21, 2005, (ii) US\$233,000 payable on each of the dates that is 12 months, 18 months and 24 months following January 21, 2005 and (iii) that number of consideration units, being Units distributed to certain employees of IESI Corporation as management retention bonuses (the "Consideration Units"), having a value equal to the intrinsic value of unvested options that were forfeited by Mr. Flood, which Consideration Units were issued on January 21, 2005 and are subject to transfer restrictions. The agreement may be terminated by IESI Corporation for cause or by Mr. Flood. The agreement also provides that if his employment is terminated without cause, Mr. Flood will be entitled to payment of an amount equal to his base salary and an amount in respect of bonus and the BFI Canada LTIP entitlement for the lesser of (i) 24 months (increased to 36 months after five years) following termination and (ii) the number of months to Mr. Flood's 65th birthday, paid in equal monthly installments. If Mr. Flood's employment is terminated within six months preceding or 24 months following a change of control, the above severance payments will be paid as a lump sum and all unvested incentive compensation and share based compensation shall vest immediately.

Thomas J. Cowee has entered into an employment agreement with IESI and BFI Canada Newco effective January 21, 2005, which provides that he will serve as Vice President, Integration of BFI Canada Newco, and Senior Vice President and Chief Financial Officer of IESI Corporation. The agreement provides that Mr. Cowee will receive an annual salary of US\$247,200 and participate in the BFI Canada LTIP. It also provides that Mr. Cowee may be eligible to receive an annual bonus of up to 33% of base salary if certain performance targets are met (or greater than 33% in the case of exceptional performance). As approved by the shareholders of IESI Corporation, Mr. Cowee is entitled to receive a bonus consisting of (i) US\$480,000 payable on January 21, 2005, (ii) US\$160,000 payable on each of the dates that is 12 months, 18 months and 24 months following January 21, 2005 and (iii) that number of Consideration Units having a value equal to the intrinsic value of unvested options

that were forfeited by Mr. Cowee, which Consideration Units were issued effective January 21, 2005 and are subject to transfer restrictions. The agreement may be terminated by IESI Corporation for cause or by Mr. Cowee. The agreement also provides that if his employment is terminated without cause, Mr. Cowee will be entitled to payment of an amount equal to his base salary and an amount in respect of bonus and the BFI Canada LTIP entitlement for the lesser of (i) 24 months (increased to 36 months after five years) following termination and (ii) the number of months to Mr. Cowee's 65th birthday, paid in equal monthly installments. If Mr. Cowee's employment is terminated within six months preceding or 24 months following a change of control, the above severance payment will be paid as a lump sum and all unvested incentive compensation and share based compensation shall vest immediately.

Thomas L. Brown has entered into an employment agreement with IESI Corporation effective January 21, 2005, which provides that he will serve as Senior Vice President and Chief Operating Officer of IESI Corporation. The agreement provides that Mr. Brown will receive an annual salary of US\$231,750 and participate in the BFI Canada LTIP. It also provides that Mr. Brown may be eligible to receive an annual bonus of up to 33% of base salary if certain performance targets are met (or greater than 33% in the case of exceptional performance). As approved by the shareholders of IESI Corporation, Mr. Brown is entitled to receive a bonus payable on January 21, 2005 consisting of (i) US\$600,000 payable in Consideration Units and (ii) that number of Consideration Units having a value equal to the intrinsic value of unvested options that were forfeited by Mr. Brown, which Consideration Units were issued on January 21, 2005 and are subject to transfer restrictions. The agreement may be terminated by IESI Corporation for cause or by Mr. Brown. The agreement also provides that if his employment is terminated without cause, Mr. Brown will be entitled to payment of an amount equal to his base salary and an amount in respect of bonus and the BFI Canada LTIP entitlement for the lesser of (i) 24 months following termination and (ii) the number of months to Mr. Brown's 65th birthday, paid in equal monthly installments. If Mr. Brown's employment is terminated within six months preceding or 24 months following a change of control, the above severance payment will be paid as a lump sum and all unvested incentive compensation and share based compensation shall vest immediately.

The employment agreements with each of William Chyfetz, Martin Irish and Yves Normandin provide for base salary and bonus arrangements. They also provide for restrictions on the use of confidential information by Mr. Chyfetz, Mr. Irish and Mr. Normandin, and contain non-solicitation and non-competition covenants which apply during the term of employment and for a period of one year following the termination of employment.

Any modification or renewal of the employment agreements between the Fund's subsidiary entities and its executive officers will be subject to the prior review of the Compensation Committee of the board of BFI Canada Newco, established on February 11, 2005, which shall make a recommendation thereon to the full board of directors of BFI Canada Newco or IESI.

Composition of the Compensation and Corporate Governance Committee

During the year ended December 31, 2004, the Compensation and Corporate Governance Committee assisted the board of directors of BFI Canada Holdings in determining and administering the compensation for the senior officers of BFI Canada Holdings and its subsidiaries. The following individuals served as the members of the Compensation and Corporate Governance Committee during the fiscal year ended December 31, 2004: Mr. Douglas W. Knight (Chair), Mr. Daniel R. Milliard and Mr. T. Iain Ronald. All served for the entire fiscal year.

Pursuant to the Transaction, effective February 11, 2005, the Compensation and Corporate Governance Committee was replaced by a Compensation Committee of the board of directors of BFI Canada Newco (the "BFI Canada Newco Compensation Committee") and a Governance and Nominating Committee of the Trustees of the Fund (the "Governance and Nominating Committee"). The following individuals were appointed effective February 11, 2005 to serve as the members of the BFI Canada Newco Compensation Committee during the fiscal year ending December 31, 2005: Mr. Daniel R. Milliard (Chair), Mr. Daniel M. Dickinson and Mr. T. Iain Ronald. Mr. Douglas W. Knight ceased to be a Trustee on the closing of the Transaction and, accordingly, is not a member of the BFI Canada Newco Compensation Committee. For the fiscal year ending December 31, 2005, the BFI Canada Newco Compensation Committee will assist the board of directors of BFI

Canada Newco in determining and administering the compensation for the senior officers of BFI Canada Newco and its subsidiaries. BFI Canada Holdings and IESI are subsidiaries of BFI Canada Newco.

None of the members of the Compensation and Corporate Governance Committee during 2004 was an officer, employee or former officer or employee of the Fund or BFI Canada Holdings or any of their subsidiary entities or affiliates. The members of the Compensation and Corporate Governance Committee during 2004 were eligible to have a portion of their directors' fees transferred to the BFI Canada LTIP.

Report on Executive Compensation by the BFI Canada Newco Compensation Committee

For 2004, the executive compensation program for senior management of the Fund and its subsidiary entities (the "Executive Compensation Program") was overseen by the Compensation and Corporate Governance Committee. The Committee was responsible for reviewing, determining and recommending to the board of directors of BFI Canada Holdings for final approval the annual salary, bonus and other compensation levels of the executive officers of the Fund and its subsidiary entities.

The Compensation and Corporate Governance Committee's executive compensation philosophy was guided by its objective to obtain and retain executives critical to the success of the Fund and its subsidiary entities and the enhancement of unitholder value.

The Executive Compensation Program is composed of base salary, bonus and long-term incentive plan rewards. Compensation is set at competitive market levels, designed to attract and retain an outstanding executive team, with bonuses based on performance and long-term incentives designed to align the interests of management with the creation of unitholder value. In 2004, the annual bonus payments were based on the achievement by BFI Canada Holdings of financial targets and on the achievement by the individual of personal goals and objectives. Senior management also participate in the BFI Canada LTIP described under "Compensation of Executive Officers — Long Term Incentive Plan".

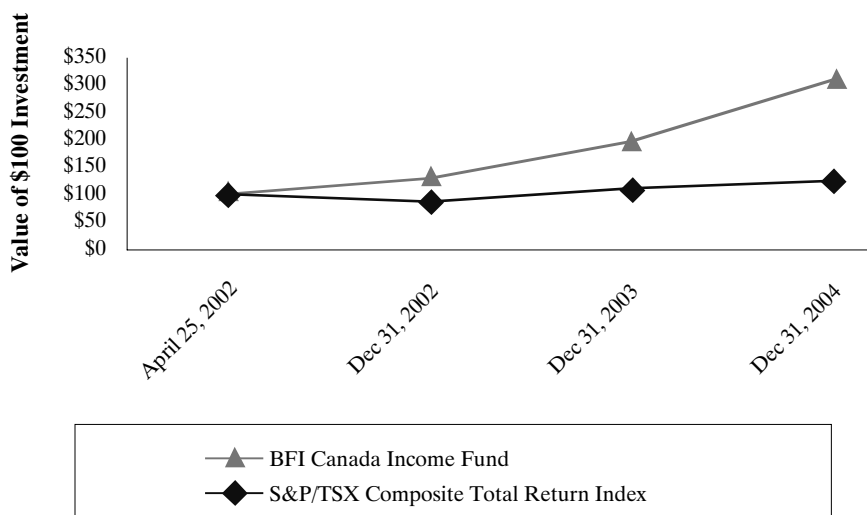
In 2004, each officer's performance and related salary level, annual bonus target and amount of Units to be purchased under the BFI Canada LTIP were reviewed and approved by the Compensation and Corporate Governance Committee. The existing arrangements (subject to ordinary course general annual base salary increases) have remained unchanged since the closing of the Fund's initial public offering on April 25, 2002, except that the BFI Canada LTIP, which was contemplated at that time, was implemented in 2003.

The Trustees, on the recommendation of the Compensation and Corporate Governance Committee, approved compensation matters for 2004 relating to Mr. Keith A. Carrigan, the President and Chief Executive Officer of BFI Canada Holdings. In consideration for his services, Mr. Carrigan received a base salary and various benefits, and was eligible to participate in the Bonus Plan and the BFI Canada LTIP. The base salary for Mr. Carrigan for fiscal 2004 was based on an assessment by the board of directors of BFI Canada Holdings of the salaries payable to chief executives of comparable publicly traded Canadian organizations, in consultation with independent consultants.

Compensation matters relating to the senior officers for the year ended December 31, 2004 were approved by the board of directors of BFI Canada Holdings on the recommendation of the Compensation and Corporate Governance Committee.

PERFORMANCE GRAPH

The following graph compares the percentage change in the cumulative return for \$100 invested in Trust Units of the Fund with the total cumulative return of the S&P/TSX Composite Index (formerly the TSX 300 Total Return Index) for the period from April 25, 2002, the date when the Fund completed its initial public offering, until December 31, 2004. Assuming reinvestment of distributions, \$100 invested in the Fund on April 25, 2002 was worth \$305.54 on December 31, 2004.



COMPENSATION OF TRUSTEES OF THE FUND AND DIRECTORS OF BFI CANADA HOLDINGS

Effective April 1, 2004, each non-management Trustee or director of the Fund's subsidiary entities (other than the Chairman of the Board of Trustees) received an annual retainer of \$35,000. The Chairman received an annual retainer of \$75,000 for his duties as chair and attendance at committee and ad hoc meetings in either an official or ex-officio capacity. During the year ended December 31, 2004, there were no directors of BFI Canada Holdings who were not also Trustees of the Fund. The chair of each board committee received an additional annual retainer of \$4,000 (\$6,000 in the case of the audit committee chair) and other members of those committees (other than the Chairman) received an additional annual retainer of \$2,000. Board members received a fee of \$1,250 for each board meeting attended, and committee members (other than the Chairman) received a fee of \$1,250 for each committee meeting attended. The Chairman also received a fee of \$1,250 per day on which he traveled on business for the Fund or BFI Canada Holdings. Trustees and directors were also reimbursed for out-of-pocket expenses for attending board and board committee meetings. During the year ended December 31, 2004, the non-management directors of the BFI Canada Holdings were entitled under the BFI Canada LTIP to elect to receive their compensation for 2004, in whole or in part, in Units. For the year ended December 31, 2004, 70% of the aforementioned fees were allocated in respect of services provided to BFI Canada Holdings, and 30% were allocated in respect of services provided to the Fund.

During the year ended December 31, 2004, a total of \$345,245 was paid in respect of Trustees' and directors' fees. A total of \$7,979 was paid in respect of reimbursement of expenses incurred by the Trustees and directors relating to travel and other expenses attributable to attending board and board committee meetings. The aforementioned fees and expenses do not include fees and expenses paid to Keith A. Carrigan, the President and Chief Executive Officer of BFI Canada Holdings, during the year ended December 31, 2004.

INDEBTEDNESS

None of the Trustees of the Fund or the directors, executive officers, employees or former directors, executive officers or employees of its subsidiary entities, or any associate of any of the foregoing, is, or has been at any time since January 1, 2004, indebted to the Fund or any of its subsidiary entities. None of the indebtedness of any such person to another entity is, or has been at any time since January 1, 2004, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund or any of its subsidiaries.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following description of corporate governance practices of the Fund during 2004 is made with reference to the guidelines for effective corporate governance issued by the Toronto Stock Exchange (the “Guidelines”). Unless otherwise indicated, all information in this section is in relation to the corporate governance practices of the Fund during 2004, prior to the closing of the Transaction, which prescribed certain changes to the corporate governance practices of the Fund, on January 21, 2005.

As a result of the structure of the Fund, the following addresses the Guidelines in relation to the respective roles of the Trustees of the Fund and the board of directors of BFI Canada Holdings (the “Board of Directors”) during 2004. The Fund does not carry on any active business and the powers of the Trustees relate only to the assets and activities of the Fund and are limited to those matters set out in the Amended and Restated Declaration of Trust. During 2004, the Board of Directors supervised the management of the business and affairs of BFI Canada Holdings. During 2004, the Trustees of the Fund and the directors of BFI Canada Holdings were the same individuals.

1. **Trustees.** The Fund is a limited purpose trust established to invest in and otherwise deal with securities, including those issued by its subsidiary entities, BFI Canada Newco, BFI Canada Holdings, IESI and other entities involved, directly or indirectly, in the business of non-hazardous solid waste collection, management and disposal. The Fund also carries on certain other activities permitted by the Amended and Restated Declaration of Trust. During 2004, the Trustees were responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of BFI Canada Holdings;
- maintaining records and providing reports to its unitholders;
- supervising the activities of the Fund;
- effecting payments of distributable cash from the Fund to its unitholders; and
- voting in favour of the Fund’s nominees to serve as directors of BFI Canada Holdings.

For the year ended December 31, 2004, the Trustees discharged their responsibilities directly and through the Audit Committee.

For 2004, the mandate of the Audit Committee of the Trustees included reviewing the financial statements of the Fund and other financial information issued by the Fund and recommending the approval thereof to the Trustees, reviewing the financing plans and objectives of the Fund, meeting with the external auditors, reviewing the adequacy of internal controls over the accounting and financial reporting systems within the Fund and its operating subsidiaries, reviewing any non-audit related services provided by the external auditors and assessing the impact thereof on the independence of the external auditors.

Board of Directors. The Board of Directors is responsible for supervising the management of the business and affairs of BFI Canada Holdings. The mandate of the Board of Directors, in which it is assisted by its committees, includes the following responsibilities:

- the adoption of a strategic planning process;
- the identification of the principal risks of BFI Canada Holdings’ business and ensuring the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training and monitoring senior management;
- a communications policy; and
- the integrity of BFI Canada Holdings’ internal controls and management information systems.

For the year ended December 31, 2004, the Board of Directors discharged its responsibilities directly and through its Audit Committee, Compensation and Corporate Governance Committee and Environmental, Health and Safety Committee.

For 2004, the mandate of the Audit Committee of the Board of Directors was identical to the mandate of the Audit Committee of the Trustees.

For 2004, the mandate of the Compensation and Corporate Governance Committee included annually reviewing and recommending to the Board of Directors for approval the remuneration of the senior executives, annually reviewing the Chief Executive Officer's goals and objectives and providing an appraisal of the Chief Executive Officer's performance, reviewing and reporting to the Board of Directors annually on the appropriateness of the organizational structure of BFI Canada Holdings and plans for the succession of the senior executives, reviewing and recommending to the Board of Directors for its approval the remuneration of the directors of BFI Canada Holdings who are not employees, identifying and proposing from time to time new nominees as directors of BFI Canada Holdings, comparing periodically the remuneration of the senior executives with the remuneration practices of similar companies in similar industries, annually reviewing plans and policies for recruiting, developing and motivating executives of BFI Canada Holdings and its subsidiaries, administering all matters relating to the BFI Canada LTIP and Bonus Plan, establishing an orientation and education program for new recruits as directors of BFI Canada Holdings, monitoring BFI Canada Holdings' compliance with strategic planning matters, including the adoption of a strategic planning process, implementing a process for assessing the composition of the Board of Directors, the effectiveness of the directors and the committees of the directors and the contribution of individual directors and developing the BFI Canada Holdings' approach to corporate governance issues, including monitoring the appropriateness of implementing structures to ensure that the directors can function independently of management.

For 2004, the mandate of the Environmental, Health and Safety Committee included reviewing and recommending to the Board of Directors for approval environmental and occupational health and safety policies, standards, accountabilities and programs and commissioning and reviewing reports, including external audits, on the nature and extent of compliance or any non-compliance with environmental and occupational health and safety policies, standards and applicable legislation and plans to correct deficiencies, if any.

2. For the year ended December 31, 2004, there were six Trustees of the Fund and six directors of BFI Canada Holdings, all of whom, other than Keith A. Carrigan, the President and Chief Executive Officer of BFI Canada Holdings, were "unrelated" as defined in the Guidelines. These six Trustees and directors were the same individuals. As at the date hereof, the Fund does not have a "significant shareholder" as defined in the Guidelines.
3. For 2004, the Trustees concluded that each of the individuals who are Trustees and directors, other than Mr. Carrigan, was "unrelated" as defined in the Guidelines, as each was independent of management and free from any interest in any business or other relationship which could, or could reasonably be perceived to, materially interfere with his ability to act with a view to the best interests of the Fund or BFI Canada Holdings, other than interests and relationships arising from holding Units.
4. In 2004, the Compensation and Corporate Governance Committee was responsible for assisting the Board of Directors in filling board vacancies and assessing directors on an ongoing basis. The Compensation and Corporate Governance Committee was comprised entirely of outside directors who are "unrelated" as defined in the Guidelines.
5. During 2004, no new Trustees and directors were appointed. When appointed, new Trustees and directors receive a binder of materials relating to their responsibilities and are introduced to the business of BFI Canada Holdings through meetings with senior management. New Trustees and directors are provided on an ongoing basis with materials concerning BFI Canada Holdings and its industry. The Board of Directors has determined that one meeting each year will be held at a facility of BFI Canada Holdings outside of Toronto, at which time the directors will have a tour of the facility and meet its management. Directors are also encouraged to tour BFI Canada Holdings facilities at any time.
6. The Trustees and the Board of Directors are satisfied that the current number of Trustees and directors is appropriate. For 2004, the periodic review of the size of the Board of Directors was included in the mandate of the Compensation and Corporate Governance Committee.
7. For 2004, the Compensation and Corporate Governance Committee was responsible for periodically reviewing the compensation of the directors. Factors such as time commitment, risks and responsibilities

and fees paid to trustees and directors of comparable publicly-traded entities are considered in determining remuneration.

8. For 2004, the Audit Committees of the Trustees and the Board of Directors and the Compensation and Corporate Governance Committee were each comprised of three directors, all of whom were outside directors who were “unrelated” as defined in the Guidelines. In 2004, the Environmental, Health and Safety Committee was comprised of three directors, two of whom were outside directors who are “unrelated” as defined in the Guidelines. The third director on the Environmental, Health and Safety Committee was Mr. Carrigan.
9. In 2004, the Compensation and Corporate Governance Committee was responsible for developing the Board of Directors’ approach to corporate governance, including implementing structures to ensure that directors can function independently of management.
10. The goals and objectives of the President and Chief Executive Officer and the senior management team for 2004 was reviewed by the Board of Directors. It is intended that these roles will be reviewed annually. The Board of Directors is provided with an opportunity to discuss the performance of management, both with and without the presence of the President and Chief Executive Officer, at the conclusion of every regularly scheduled meeting of the Board of Directors.
11. The Trustees and the Board of Directors determined that they should have a chairman who is not a member of management. T. Iain Ronald, who is not a member of management, has been non-executive Chairman of the Trustees and the Board of Directors since May 9, 2003.
12. In 2004, as noted above, the Audit Committees of the Trustees and the Board of Directors were comprised entirely of outside directors all of whom are “unrelated” as defined in the Guidelines. The mandate of each Audit Committee specifically defines the responsibilities of the Audit Committee and its members. The external auditors of the Fund are invited to attend all meetings of the Audit Committees. Audit Committee members are afforded the opportunity to communicate with the external auditors without the presence of management.
13. During 2004, an individual Trustee or director was permitted to engage an outside advisor at the expense of BFI Canada Holdings, subject to the approval of the Compensation and Corporate Governance Committee.

Following the closing of the Transaction on January 21, 2005 and pursuant to the Governance Arrangements, the corporate governance practices of the Fund are currently under development. See “Trust Units and the Retained Interest — Governance Arrangements”. The Fund and BFI Canada Newco are currently in the process of developing final mandates and charters for specified committees of the boards of the Fund and BFI Canada Newco as described in the “Management” section of the final short form prospectus of the Fund dated December 20, 2004 available on SEDAR at www.sedar.com or at www.bficanada.com.

DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE

The Fund has policies of insurance for the Trustees of the Fund and the directors and officers of its subsidiary entities including BFI Canada Holdings.

The aggregate limit of liability applicable to those insured directors and officers under the policies is \$20 million, inclusive of costs to defend claims. Under the policies, BFI Canada Holdings will have reimbursement coverage to the extent that it has indemnified the directors and officers in excess of the deductible of \$150,000 for each loss. The policies include coverage for claims under securities laws and insurance against any legal obligations to pay on account of any such claims.

For the period from January 1, 2004 to December 31, 2004, the total premium paid on the policies was \$241,175. Because the policies are subject to aggregate limits of liability, the amount of coverage may be diminished or exhausted by any claims made thereon. Also, continuity of coverage is contingent upon the availability of renewal insurance, or of replacement insurance without a retroactive date so as not to limit coverage for prior wrongful acts.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The completion of the Transaction involved a number of matters that have resulted in ongoing arrangements between the Fund, its subsidiary entities and certain of its insiders. These matters are described in the Fund's short form prospectus dated December 20, 2004 and, in particular, the disclosure appearing under the sections titled "The Transaction — Closing Transactions", "The Transaction — Retained Interest", "The Transaction — New and Amended Credit Facilities", "The Transaction — Governance Arrangements", "Management" and "Plan of Distribution", which sections are incorporated herein by reference. A copy of the Fund's short form prospectus and the material agreements referred to therein are available at www.sedar.com, or may be obtained upon request without charge by contacting the Fund at 135 Queen's Plate Drive, Suite 300, Toronto, Ontario, M9W 6V1.

ADDITIONAL INFORMATION

Financial information for the financial year ended December 31, 2004 is provided in the Fund's comparative financial statements and management's discussion and analysis ("MD&A") which are included in the Annual Report. Voting Unitholders who wish to be added to the mailing list for the annual and interim financial statements and MD&A should contact the Fund at 135 Queen's Plate Drive, Suite 300, Toronto, Ontario, M9W 6V1.

The Annual Report (including the financial statements and MD&A), the annual information form and other information relating to the Fund is available on SEDAR at www.sedar.com.

NOTIFICATION OF AMENDMENT

The Fund's declaration of trust dated February 28, 2002, as amended and restated on April 15, 2002, was further amended by the amended and restated declaration of trust of the Fund dated January 21, 2005 (the "Second Amended and Restated Declaration of Trust"), and approved at the January 20, 2005 special meeting of Unitholders. Pursuant to the Second Amended and Restated Declaration of Trust, Keith A. Carrigan, Daniel M. Dickinson, Charles F. Flood, James J. Forese, Daniel R. Milliard, T. Iain Ronald and Joseph H. Wright, have been appointed Trustees of the Fund until the Fund's annual meeting in 2006, without the need for a vote of Unitholders at this Meeting.

OTHER MATTERS

The Trustees know of no other amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

APPROVAL OF TRUSTEES

The contents of this Circular and its sending to Voting Unitholders of the Fund have been approved by the Trustees of the Fund.

BY ORDER OF THE BOARD OF TRUSTEES



William Chyfetz
Vice President, General Counsel and Secretary,
BFI Canada Holdings Inc.

Toronto, Ontario
March 16, 2005