MENU FOODS INCOME FUND

ANNUAL INFORMATION FORM
For the year ended December 31, 2009

March 29, 2010

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GENERAL

The information in this Annual Information Form is given as of December 31, 2009 unless otherwise indicated. All dollar amounts are stated in Canadian currency, unless otherwise stated.

This Annual Information Form contains forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made concerning Menu Foods Income Fund's (the "Fund") 2010 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include changes with respect to suppliers, changes in general economic conditions, and the risk factors described from time to time in the reports and disclosure documents filed by the Fund with Canadian securities regulatory agencies and commissions, including those risks described herein. This list is not exhaustive of the factors that may impact the Fund's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Fund's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Fund nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking information contained in this Annual Information Form is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this Annual Information Form may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this Annual Information Form. All forward-looking statements in this Annual Information Form are qualified by these cautionary statements. Except as required by applicable law, the Fund undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

Menu Foods Income Fund

The Fund is an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated March 25, 2002. The Fund is administered by its Trustees and by Menu Foods GenPar Limited ("GenPar") pursuant to an administration agreement entered into by the Fund and GenPar, among others, on May 22, 2002 (the "Administration Agreement").

The Fund holds, indirectly, an approximate 74.0% interest, as at December 31, 2009, in Menu Foods Limited Partnership ("MFLP") which owns, directly or indirectly, the securities and assets of Menu Foods Limited ("Menu").

The trust units of the Fund (the "Units") are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "MEW.UN". The head office of the Fund is located at 8 Falconer Drive, Streetsville, Ontario L5N 1B1.

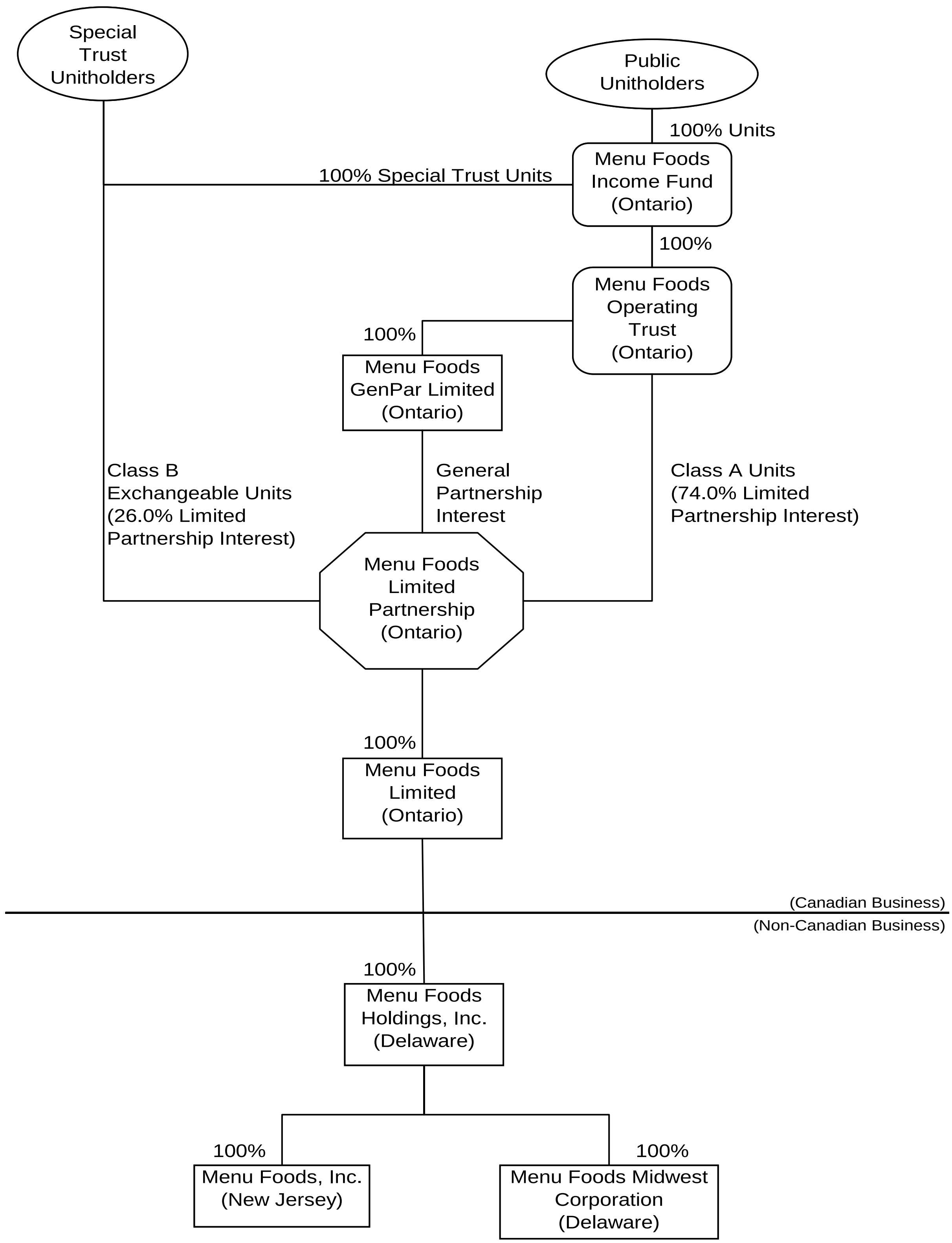
Menu Foods Operating Trust

Menu Foods Operating Trust ("MFOT") is an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated May 22, 2002. MFOT is a limited purpose trust and its activities are restricted essentially to the conduct, directly or indirectly, of the business of, and the ownership, operation and lease of assets and property in connection with, the manufacture and sale of pet foods products and such other businesses as the trustees of MFOT (the "MFOT Trustees") may determine, and having investments and other direct or indirect rights in companies or other entities involved in the business of the manufacture and sale of pet food products and such other businesses as the MFOT Trustees may determine, including all activities ancillary or incidental thereto.

Menu Foods Limited Partnership

MFLP is a limited partnership established under the laws of the Province of Ontario to make investments in, conduct the business and ownership, operation and lease of assets and property in connection with the manufacture and sale of pet food products, including the businesses operated by Menu and such other businesses as the directors of GenPar may determine, and all activities ancillary or incidental thereto. As at December 31, 2009, MFLP is owned, directly or indirectly, as to approximately 74.0% by the Fund and as to approximately 26.0% by the holders of class B units of MFLP which are exchangeable for Units (the "Class B Exchangeable Units"). The general partner of MFLP is GenPar.

Inter-Corporate Relationships



GENERAL DEVELOPMENT OF THE BUSINESS

The Fund was created to, among other things, hold, directly or indirectly, investments in entities engaged in the manufacture and sale of pet food products, including the securities or assets of Menu.

Three Year History

In February 2007 the Fund announced that it was initiating a price increase on cat food sold in aluminum cans to its United States private-label customers. This increase followed a similar increase initiated by the leading national brand manufacturer of wet cat food. While costs continued to rise (particularly aluminum cans), the Fund believed that this increase would enable it to recover the costs it had absorbed on canned cat food sold to United States private-label customers since its last price increase in early 2006.

On March 16, 2007 the Fund announced the recall of a portion of the dog and cat food it manufactured between December 3, 2006 and March 6, 2007. This recall was primarily related to "cuts and gravy" style pet food in cans and pouches manufactured at two of the Fund's United States facilities. These products were both manufactured and sold under private-label and were contract-manufactured for some national brands.

On March 24, 2007 the Fund instituted a withdrawal of all varieties of recalled pet food, regardless of the dates, to reduce the risk that any recalled product might remain on the retailer's shelves. On April 5, 2007 the Fund expanded the recall to include certain products manufactured by its Emporia, Kansas plant between November 8, 2006 and December 2, 2006. This was necessary to align the Fund's recall with that of the supplier of the adulterated ingredient (as discussed below). On April 10, 2007 the Fund expanded the recall to include some limited production from its Streetsville, Ontario facility. On April 17, 2007, May 2, 2007 and May 22, 2007 the Fund made some further refinements to the list of recalled products.

Throughout this period of time, the Fund worked closely with regulatory authorities and its customers to learn as much as it could about the cause for the recall. It was ultimately determined that the contaminated ingredient was wheat gluten intentionally adulterated with melamine and related compounds by the Chinese wheat gluten manufacturer. This ingredient was imported from China by one broker in the United States. Subsequent to the Fund's recall, a number of other significant companies in the pet food industry, who had also purchased wheat gluten from this same broker, followed suit and instituted recalls of their own. Additional recalls by other pet food manufacturers were initiated thereafter because of adulterated rice protein concentrate also imported from China and also intentionally adulterated by the particular Chinese manufacturer of that raw material. In total, twelve manufacturers of pet food, including Menu, recalled product because of the adulteration of the vegetable proteins by the Chinese manufacturers. As it transpired, the Fund, the pet food industry, our customers and consumers were all victims of a fraud of monumental proportions.

These recalls had a devastating effect on the Fund's performance during 2007. Direct costs attributed to the recall amounted to approximately $55 million. Sales suffered as many customers temporarily suspended purchases of certain of the Fund's products until they could determine an appropriate "back-to-market" strategy. By the third quarter of 2007, customers whose volume represented approximately 37% of sales in 2006 had advised the Fund that they would no longer be purchasing these products from Menu. As a consequence, the Fund needed to restructure to better align costs with its ongoing business operations and announced a formal restructuring plan which had cost $4.4 million by the end of 2007. The events of 2007 caused the Fund to write-down goodwill by $30.6 million.

By late 2007 the Fund had begun the process of rebuilding its business. This continued in 2008 and, while some effects of the recall lingered, the nature and extent of Menu's ongoing business became more apparent. One of the great unknowns coming out of the recalls was the extent to which business with Menu's continuing customers would resume. This was confirmed during 2008 when, using the fourth quarter of 2007 as a baseline, the Fund enjoyed steady growth in sales volumes, which culminated in the fourth quarter when volume was more than 11% higher than in the same quarter in 2007. Most significantly, while some business with those customers who said they would no longer be purchasing from Menu continued, much of this growth was in sales to Menu's continuing customers. Unfortunately, during 2008 sharply rising commodity costs, which were absorbed by the Fund before price increases could pass them onto its customers, resulted in reduced profit margins and contributed significantly to the loss of $6,812 for that year.

During 2009, Menu's sales to its continuing customers grew by about 2.9% when compared to 2008. However, declining sales to those customers who in 2007 said they would no longer be purchasing from Menu together with sales lost, in part as a result of the price increases announced in 2008 and in part as a consequence of a decision by a branded customer to self-manufacture their own products, more than offset the growth in sales to continuing customers netting to an overall 5.1% decline in sales volumes during 2009. In a more positive vein, these lost customers only accounted for 4.2% of volumes in the fourth quarter of 2009 compared to 16.3% during the same quarter in 2008, so the impact of their loss has largely been addressed by the business. More significantly, the absence in 2009 of the severe escalation of commodity cost increases experienced in 2008 enabled the benefit of the prior year's price increases to take hold, which contributed significantly to Menu's overall return to profitability for the first time since 2006. It is important to note that Menu was profitable in each quarter of 2009.

On May 14, 2007 and again on October 19, 2007, the Fund reached agreement with its lenders to modify the terms of its existing credit facilities. On May 14, 2007, an agreement was reached to increase the amount available under the bank facility by US$20 million. The amended agreements increased the rates of interest paid by the Fund.

During 2007, holders of 1,274,635 Class B Exchangeable Units converted those units into Units.

In 2007, lawsuits were initiated against the Fund and certain of its subsidiaries in the United States and in Canada, which sought to recover damages on behalf of the named plaintiffs and a purported class of pet owners. Furthermore, the U.S. Food and Drug Administration is conducting an investigation into the situation. The United States Attorney for the Western District of Missouri, based in Kansas City has informed Menu that it is the target of criminal investigations for possible violations of the U.S. federal Food, Drug and Cosmetic Act. It is possible that additional actions or investigations may arise in the future. During 2008, Menu led the industry-wide global settlement of the Pet Food Multi-District litigation that received final court approval in Canada and the United States during the final quarter of that year. As at December 31, 2009, two appeals had been filed in the United States from the U.S. Final Order approving the settlement of the Pet Food Multi-District litigation and no payments can be made to claimants until the appeals are resolved. It is uncertain how long these appeals will take to resolve. However, Menu remains confident that the final approved order of the settlement agreement will be upheld and that pet owners affected by the 2007 pet food recalls will receive compensation for their losses in accordance with the terms of the settlement agreement. The Fund continues to expect to expend significant amounts and devote considerable management time with regard to these matters. The Fund cannot predict the amount of such expenses, the resolution of any claims or investigations, the extent to which these items will be paid by the Fund's insurers, or whether the Fund will have sufficient resources to pay any or all of these items.

During 2008, Menu initiated three price increases to private-label customers after experiencing dramatic cost increases which had not been seen in recent history. The first two followed increases made by the leading national brands with the third increase, in December of 2008, being initiated by Menu itself.

During June 2008, the Fund agreed with its lenders to defer the reductions due on its bank facility on June 30, 2008 and September 30, 2008 until December 31, 2008. In December 2008 the Fund agreed with its lenders to further modify this arrangement such that the bank facility was reduced by US$0.5 million on December 31, 2008 and then subsequently be reduced by US$3.0 million on each of March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009.

In March, 2009, the Fund agreed with its lenders to defer the reduction of US$3.0 million due on its bank facility on March 31, 2009 to March 31, 2010.

During 2009, cost increases moderated somewhat resulting in no need for general price increases to be undertaken.

During 2009, holders of 1,071,682 Class B Exchangeable Units converted those units into Units.

On February 3, 2010 the Fund executed an agreement with its banker for the provision of US$105 million of fully underwritten credit facilities (the "Facilities") which are expected to close on or about March 31, 2010. The Facilities are composed entirely of senior debt and include a US$30 million revolving term facility and a US$75 million non-revolving term facility. The proceeds of the Facilities will be used to repay all of the Fund's outstanding debt. The Facilities will mature three years from the date of closing. The Facilities commitment from the bank is subject to normal terms and conditions which contain, among other things, a material adverse change clause. Management remains confident that the Facilities will close as described.

NARRATIVE DESCRIPTION OF THE BUSINESS

For the purposes of this section and the section entitled "Risk Factors", "Menu" means Menu Foods Limited and its subsidiaries.

Overview

Menu is a leading North American private-label/contract-manufacturer of wet pet food products sold by supermarket retailers, mass merchandisers, pet specialty retailers, dollar and discount stores, farm and feed stores, veterinarians/kennels and other retail and wholesale outlets and by wet pet food brand owners.

As described more fully under "Products" and "Customers", Menu's business is the manufacture and sale of wet pet food in cans, pouches and plastic cups sold to retail customers as private-label products or to brand-owners as contract-manufactured pet food. Menu's business began in 1971 manufacturing canned wet pet food. In 2001, Menu began the manufacture and sale of wet pet food in flexible retortable foil pouches that represented 17.0% of Menu's total volume (expressed in cases of 24 cans, pouches or plastic cups) in 2009. During the fourth quarter of 2008, Menu began manufacturing and selling wet pet food in plastic cups with foil lids which represented 1.0% of total volume in 2009 while cans represented the remaining 82.0% of total volume. Menu believes that it is the only North American pet food manufacturer who manufactures wet pet food in pouches and plastic cups for sale as private-label.

Industry Overview

Pet Food Industry

Pet food (in this Industry Overview, pet food means dog and cat food) is sold through various distribution channels, including supermarkets, mass merchandisers, pet specialty retailers, dollar and discount stores, farm and feed stores, veterinarians, and kennels. In 2009, according to industry sources, retail sales of pet food in North America (in this Industry Overview, North America means Canada and the United States) were estimated at approximately US$19.2 billion (2008 – US$18.4 billion), growing 4.3% on an annualized basis as compared to 2008.

Total U.S. Pet Food Market

Menu participates in the North American wet pet food market which was estimated at approximately US$4.4 billion in sales in 2009 (US$4.3 billion in 2008) based on industry sources.

Management of Menu expects that continued growth in pet food sales in North America will be primarily driven by (i) an increasing pet population; (ii) a continuing customer shift toward premium products; and (iii) higher prices to pass on rising costs for raw materials, packaging materials and the increasing cost of production. According to industry sources, it was reported that there were 77.5 million dogs and 93.6 million cats in the United States in 2009. This represented an increase of 3.6% and 6.0% in the dog and cat population respectively since 2007.

Over the last ten years, the North American pet food market has seen the introduction of an increasing number of products that represent premium product alternatives to traditional pet food choices, including food keyed to the age-stages of pets, low-calorie foods, organic foods, foods that discourage certain ailments and nutraceutical products (foods or naturally occurring food supplements believed to have beneficial health effects for animals). An example of this trend was IAMS™, a premium nutrition based brand now owned by Procter & Gamble, that was introduced in 2000 into the supermarket, warehouse club and mass merchandiser distribution channels, increasing exposure to health and wellness oriented pet food. There have also been packaging innovations that have accounted for a further expansion of premium products. For example, Whiskas™ single serve 3 oz. wet cat food pouches and Pedigree™ 5.3 oz. wet dog food pouches were introduced in the United States in 1999 and 2001, respectively. Also, Nestle Purina's 2006 introduction of wet pet food in plastic containers under the brand name Beneful™ is specifically targeted at the super premium end of the market. Menu expects these and similar trends to continue to drive growth and increase the average amount of money spent on pet food purchases by North American households.

Pet Food Market Segments

The pet food market is often broken into three segments: wet, dry and treats & mixers. Based on industry sources, the dry segment was projected to account for US$12.2 billion of total pet food sales in North America in 2009, wet for US$4.4 billion and treats & mixers for US$2.6 billion.

(i) Wet Products Segment

Wet pet food, which is the second largest segment of pet food, estimated to account for approximately US$4.4 billion of total pet food sales in North America in 2009 (US$4.3 billion in 2008), is currently the only pet food segment in which Menu participates. Wet pet food in North America is now sold in cans (aluminum and steel), pouches and trays or cups.

(ii) Dry Products Segment

Dry pet food is the largest segment of pet food, estimated to account for approximately US$12.2 billion of total pet food sales in North America in 2009 (US$11.6 billion in 2008). Dry pet food is generally available in a number of formats, including kibbles, meal, or expanded particles.

(iii) Treats & Mixers Segment

The treats & mixers segment of pet food was estimated to account for approximately US$2.6 billion of total pet food sales in North America in 2009 (US$2.5 billion in 2008). Treats include meat, biscuit, cereal, fish or yeast-based products. Treats are those products marketed and fed not as a pet's primary meal but as a reward or indulgence.

Distribution

Market data for the United States, as reported by an industry source, concerning the size and therefore relative importance of specific retail channels for pet food, segments the marketplace into three channels: Food/Drug/Mass Merchants (54.7%), Pet Specialty (21.5%) and Other (23.8%). The United States market represents more than 92% of the North American pet food market. Given the significance of the United States market, management believes it to be a reasonable proxy for the North American market.

Food / Drug / Mass Merchants

The largest channel of distribution of pet food is sold via Food / Drug / Mass Merchants ("F/D/M") which had a 54.7% share of the market in 2009 and increased from 53.4% in 2008. The discounter subset grew to 1.3% within F/D/M primarily, management believes, as the economic downturn in the United States drove more consumers into that class of retailer. In the United States the private-label development, within the F/D/M channel, is considered to be underdeveloped compared to certain European countries and Canada.

Menu participates in the F/D/M channel primarily via private-label offerings, however, certain of the specialty brands that Menu manufactures have started to migrate into this channel.

Pet Specialty Stores

The pet specialty segment of the distribution channel had a 21.5% share of the pet food market in 2009 which is down from 22.7% in 2008. There is strong specialty brand presence in these stores and they continue to offer super-premium products generally not available in other channels.

Menu participates in the pet specialty channel through its private-label offerings and through its contract-manufacturing for the specialty branded companies.

All Other

The non-grocery retailers (such as farm & feed and dollar stores) and veterinary/kennel channels comprise the majority of the all other channel of distribution of pet food representing a 23.8% share in 2009, unchanged as compared to 2008. Veterinary products are growing at the top (or premium) end of the market while dollar stores are obtaining share at the low (or value) end of the market.

Menu participates in the all other channel primarily via contract-manufacturing for the branded companies and, secondarily, through its private-label offerings provided to farm & feed and dollar stores.

Menu's Strategy

The mission statement for Menu is "***To deliver nutritional meals, reward solutions and other products for pets that meet the needs of both the pet and their owners".***

With this in mind, Menu utilizes a two pronged strategy to achieve its mission – private-label and contract-manufacturing.

Menu's Private-Label Strategy

"Private-label" (sometimes also referred to as "retailer brand", "own label" or "store brand") means products that are commissioned, marketed and owned by a retailer, as opposed to a manufacturer.

Menu has built its private-label business strategy around the three core fundamentals of quality, service and price. Menu strives to provide high quality products at a wholesale price below the leading national brands, enabling its retail customers to generally offer lower prices to consumers while retaining the potential to realize higher margins relative to national brand products. Management's strategy is to be a manufacturer of high-quality private-label products based on nutrition, palatability and quality standards that are comparable to leading national brands. Management also believes that, from amongst all of the North American private-label manufacturers, Menu offers the broadest selection of the leading sizes and types of containers and packaging configurations for use in private-label.

Menu's operating tenets are to:

- satisfy the requirements of the ultimate consumers (i.e., dogs and cats),
- provide a compelling value proposition to its retail customers through the potential for enhanced profit margins,
- manufacture the private-label wet pet food industry's most comprehensive product program with the highest standards of quality, and
- operate and maintain a low-cost state of the art manufacturing platform with a focus on innovation and new product development.

While these operating tenets are today focused on wet pet food, their premise would equally support a dry pet food and/or treats proposition. Accordingly, these tenets of operation would also be followed should Menu expand its operations into dry or treats.

Menu's Contract-Manufacturing Strategy

Menu's contract-manufacturing strategy also includes leveraging those same operating tenets to enable it to provide contract-manufacturing services to pet food brand owners. Certain brand owners, including some with no self-manufacturing capabilities for wet pet food, rely on quality manufacturers, such as Menu, to deliver the products they require. It is Menu's goal to develop manufacturing capabilities that enable it to produce, on a low-cost basis, products comparable to the national brands, enabling these brand owners to choose Menu as their contract-manufacturing supplier. Again, while this strategy today is focused on wet pet food, management believes it would apply equally and as effectively to the dry or treats segments of the market.

Growth Opportunities

Management is of the view that Menu is well positioned to leverage its established market position to capitalize on growth opportunities. Menu's growth strategy is to increase sales to new and existing private-label and contract-manufacturing customers in wet pet food. Additionally, Menu is constantly searching out opportunities to increase its competitiveness and market relevance, a search that at some point may include other segments of the pet food industry.

Management believes that sales to existing customers can be increased principally through adding products to Menu's product lines and by increasing the penetration level of current products supplied to those customers. Management believes that a meaningful increase in penetration can be achieved should retailers de-emphasize the use of secondary brands on their shelves and re-deploy that shelf space between the leading national brands and the retailer's own private-label offering. New customers can be attracted by the quality, breadth of products and economy of scale offered by Menu together with geographical advantages of Menu's multiple plant locations.

In addition to the general private-label trends and the possibility for a continued decline of secondary brands, management sees additional opportunities for growth being generated from Menu's "pouch" product line. In May 2001, Menu introduced a line of premium wet pet food products in a "pouch" format. This product line has gained market acceptance, and over the five years that followed its launch, Menu made significant investments to increase its manufacturing capacity for this product line. Management believes that pouches are attractive to consumers because they are easier to open and serve and that Menu is the only private-label supplier and contract-manufacturer in North America currently manufacturing products for sale in this format. While the pouch product was particularly hard-hit by the recall in 2007, management still believes in its potential, particularly given the smaller base from which that growth is expected to occur.

Menu is also aware of the growing attraction of the tray or cup products being offered by several of the leading national brands in North America. In 2008 Menu entered this segment of the wet pet food market with a capital investment that enables Menu to produce a modest number of cups for sale to private-label customers. Menu's management is working to sell out this capacity by the fourth quarter of 2010 which, if accomplished, would represent an approximate 2% growth in its business as compared to 2009.

Management is also aware that recessionary times have historically motivated consumers to increase their purchases of private-label products, including wet pet food. While there can be no certainty that history will repeat itself, management believes that the current economic crisis facing the North American economy will motivate consumers to consider purchasing more private-label products than they have in the recent past. If that occurs and if their purchase decision includes an increase in their purchases of private-label wet pet food, then Menu could see an increase in the demand for its products

As a consequence of the 2007 recalls, Menu was advised by customers whose volume represented approximately 37% of Menu's total volume in 2006, that they would no longer be purchasing products from Menu. This lost business primarily impacted 2007 and 2008, but it affected 2009 as well. During the year ended December 31, 2009, volume to these customers decreased by 32% as compared to the year ended December 31, 2008. Over this same period, the significance of these lost customers has decreased as well, with their volumes accounting for only 5.2% of total volume (7.2% in 2008). Furthermore, early in 2009, in part in response to price increases and in part as a consequence of a decision by a branded customer to self-manufacture their own products, certain other customers advised Menu that they would be discontinuing purchasing some products as well. These customers accounted for approximately 5.7% of sales during the year ended December 31, 2009 (10.6% in 2008). In contrast to these losses, volume sold to continuing customers (private-label and contract-manufacturing) increased by 2.9% for the year ended December 31, 2009 compared to the same period in 2008.

Prior to Menu's recall in the first half of 2007, management had begun to explore opportunities in pet food outside that of the wet pet food market. While the North American wet pet food market has maintained its size, the growth in the industry is being captured by the participants in the dry and treats segments. Menu's current capital structure makes the possibility of an expansion into these alternative segments unlikely at this time though the strengthening of Menu's balance sheet in 2009 may make expansion possible in the near future. However, while no plans to date have been effected, management is aware of the opportunities in those other segments of the market and is actively considering ways in which to participate in that market growth.

Market and Competitive Overview

Menu's management estimates that Menu has the leading market share of both the United States and Canadian private-label wet pet food markets. Menu's multi-plant manufacturing capacity, its ability to serve its customers on a national basis and its expansive product offering (in terms of category, size and container) are, in management's view, its principal competitive advantages.

Competition in the private-label wet pet food market is limited to a number of local or regional manufacturers and a few large national brand manufacturers that also produce private-label products. Menu's management believes that the local or regional manufacturers have significantly lower sales of wet pet food than Menu, do not produce as full a range of wet pet food products or container sizes and, in some cases, tend to focus on the non-premium (or secondary) segment of the market which, management believes, is in decline. Menu believes it would require significant capital investments and research and development expenditures for any of these companies to compete effectively with Menu for national retail customers, as those customers generally require a supplier to provide a wide variety of products on a national basis. Management is aware that a regional wet pet food supplier based in Arkansas USA completed a plant expansion in 2007 including the introduction of a wider variety of canned products. Menu believes that this competitor filled a portion of the capacity it added having been awarded some of the contract-manufacturing business that Menu lost as a fall-out of the recall. Menu believes that this competitor does not produce a full range of wet pet food products and container sizes but has introduced the capability of delivering quality low-cost products in select packages not previously available. Menu considers this competitor, as well as the other local and regional manufacturers, to be competitive factors in servicing the growing dollar and discount retailers as well as regional and national retailers who wish to purchase a limited product variety for their private-label or allocate shelf space to regional "price" brands.

A limited number of national brand manufacturers also offer private-label pet food products, in particular Del Monte Foods Company ("Del Monte"), and, most recently, Mars Incorporated ("Mars"). During the first half of 2006, Mars purchased Doane Pet Care which had historically been seen as the consolidator of private-label dry pet food in the United States. This acquisition resulted in Mars commencing the production of private-label products (albeit only for dry pet food in North America). Management has no indications of an intention by Mars to expand its private-label pet food offerings into wet pet food. In addition, management also believes that Del Monte does not currently have a commitment to the private-label wet pet food market (or have limited their private-label offering to select customers) and, in some cases, lack the manufacturing capability or capacity to produce the same assortment of containers and recipes as Menu. For new participants to enter the wet pet food market, management estimates that, based upon Menu's actual capital expenditures, the capital cost required to become a meaningful competitor (assuming new versus used equipment), with the product range and quality offered by Menu, is $70 to $100 million for a single "greenfield" facility.

Customers

Menu supplies all, or a meaningful portion of the private-label wet pet food products sold by 7 of the top 10, and 31 of the top 40 North American food retailers. Menu has secured these customers by developing, where appropriate, comprehensive private-label programs with products comparable to the leading national branded manufacturers' offerings.

Menu is a contract manufacturer for many of the smaller branded pet food companies throughout North America, many of whom have no self-manufacturing capability for wet pet food. Management sees continued expansion of its contract-manufacturing business as a growth opportunity for Menu, as these and other branded pet food manufacturers grow their businesses and/or expand their product lines and look to contract-manufacturing as an alternative to capital investment. The pursuit of such contract-manufacturing opportunities provides incentive for Menu to maintain state-of-the-art facilities, systems and processes, to ensure it is positioned to meet the demands of these customers. Management further believes that growth opportunities of contract-manufacturing in dry and treats also exist for the same reasons as they exist in wet pet food. While no steps have been taken to pursue that opportunity, management is keeping an open mind as to the possibility this represents and would explore the right opportunity were it to present itself.

Menu's sales are generally well balanced by distribution channel in relation to the United States wet pet food market average, with opportunity for growth in the mass merchandiser channel. During the year ended December 31, 2009, Menu had no one customer accounting for greater than 10.0% of its sales. Menu will continue to focus the majority of its private-label sales and marketing efforts on the supermarket, mass merchandiser and pet specialty channels.

Products

Menu produces approximately 2,850 stock keeping units and produces a variety of loaf and chunk and gravy products, in aluminum, steel, plastic and pouch containers in sizes including 85g, 100g, 150g, 156g, 170g, 184g, 354g, 369g, 374g, 396g and 624g and 652g. Menu's packaging includes 6-pack, 12-pack and 24-pack single varieties as well as mixed variety packs in 6, 12, 24, 32, 36 and 48- pack formats.

Menu categorizes the foregoing containers into cans, pouches and plastic cups. For the year ended December 31, 2009, can volume (where volume is expressed in cases of 24 units) represented 82.0% (2008 – 87.2%) of Menu's volume, pouch volume represented 17.0% (2008 – 12.7%), while plastic cup volume represented 1.0% (2008 – 0.1%).

With respect to private-label, Menu strives to execute a "quick-to-follow" strategy whereby once a leading brand establishes a popular product format or formulation, Menu offers an analogous product to its customers. Menu's manufacturing and product development capabilities often permit it to introduce analogous products for its retail customers within a matter of months following the introduction of the new product by a branded manufacturer. Menu also develops proprietary and innovative products in support of its contract-manufacturing customers.

Sales and Marketing

As at December 31, 2009, Menu employed 24 full-time sales related personnel including resources to survey market trends, prepare presentations and interact with customers, as well as customer service representatives who maintain regular contact with assigned customers while managing inventory, orders and shipments.

Facilities

Menu has a manufacturing platform with three state-of-the-art manufacturing facilities located in Emporia, Kansas (430,000 square feet of office, manufacturing and warehouse space owned, 155,000 square feet of office and warehouse space owned which is currently listed for sale), Pennsauken, New Jersey (210,000 square feet of office, manufacturing and warehouse space owned, 206,000 square feet of office and warehouse space owned) and Streetsville, Ontario (134,000 square feet of office, manufacturing and warehouse space owned, 72,000 square feet of warehouse space leased – expires May, 2010. Menu is actively managing the renewal or replacement of this warehouse as the expiry date approaches). These plants utilize high-speed equipment and leading-edge technologies to produce pet food in aluminum and steel cans in all currently used sizes at rates of up to 1,000 cans per minute and pouches at the rate of up to 750 pouches per minute. With the introduction of plastic cup technology in the fourth quarter of 2008 and further investment during 2009, Menu is able to produce 100g cups at the rate of up to 200 cups per minute. These facilities are designed for maximum flexibility, which, in turn, allows Menu to provide the full range of products its customers' demand.

Technical Services, Research and Development and Quality Assurance

As at December 31, 2009, Menu employed 37 staff for technical services, research and development, and quality assurance. Menu operates a focused research and development program to foster innovation. Research and development activities include developing new recipes, testing recipes, developing new manufacturing techniques and improving existing methods, materials and processes. As a part of its ongoing research and development program, and to ensure its products maintain a high level of palatability relative to the leading brands, Menu contracts independent kennels and labs to conduct feeding trials of its products.

IT Systems

In November 2001, Menu purchased and installed the J.D. Edwards One World™ system in Menu's Streetsville location. The system was subsequently installed into the Emporia and Pennsauken facilities during 2002, for a total three-year project cost of approximately $8 million. Management believes that this software has been modified to incorporate the strengths of Menu's previous legacy software, and provides the foundation for advancement in the use of real-time management information. In late 2008 and early 2009 Menu completed the installation of a fully integrated warehouse management system for its finished goods.

Suppliers

Menu's primary production inputs are meat, chicken, fish and associated by-products, aluminum and steel cans, retortable pouches, packaging materials, cereals and nutrients. Menu's practice is to develop long-term relationships with its major suppliers to achieve optimum quality and cost. Menu attempts to have at least two qualified suppliers for each production input, although for some items this is not always possible or economically advantageous. Menu has never had an interruption in its operations as a result of a lack of supply.

Distribution Channels

Customers' orders are assigned for shipping purposes to one of Menu's three plant locations. Menu ships some products between plants in order to more efficiently manage shipments to large customers by combining products produced in different plants into a single customer shipment. Menu believes that it is the only private-label wet pet food manufacturer with three manufacturing facilities, and can thus allocate an order between any of its plants based on capability, product cost, material availability, freight cost and available production capacity. Since the major retailers in the United States are increasingly multi-regional or national in scope, Menu's ability to serve them from three locations provides Menu with service and freight cost advantages compared to other single or two plant private-label competitors. Management believes that the flexibility and depth of its infrastructure is such that Menu is the only private-label wet pet food manufacturer that is providing national retailers with cross-continental service and complete product lines in all significant packaging configurations.

Please refer to "- Bovine Spongiform Encephalopathy" and "- Free Movement of Finished Goods Across Border" in the "Risk Related to the Business and the Industry" section of "Risk Factors".

Environmental, Health and Safety

Menu, like other market participants, is subject to extensive and increasingly stringent federal, provincial, state, municipal and local statutes, regulations and by-laws, including requirements relating to occupational health and safety, emissions to air, discharges to water and the generation, handling, storage, transportation, treatment and disposal of a variety of substances and wastes.

In 2002, Menu commissioned Phase I environmental reports for each of its three facilities. These reports did not indicate any material environmental concerns.

In addition to routine expenditures for water treatment and similar environmentally related processes, in 2009 Menu expended approximately $220,000 on surcharges related to effluent discharges from its production facilities. Of these charges, approximately half related to the period from July, 2007 to December, 2008. Menu attempts to manage its discharges such that they are within the guidelines as published by the municipalities in which it operates. As with other manufacturers having effluent discharges, when prescribed levels are not achieved surcharges must be paid. No capital projects were undertaken in 2009 to address any environmental requirements nor are any planned for or required at this time.

Employees

As at December 31, 2009, Menu employed 619 full time employees. This group was comprised of 121 (non-union) employees at its Streetsville manufacturing facility; 257 (non-union) employees at its Emporia facility; 168 (union and non-union) employees at its Pennsauken facility; and 73 support group personnel mainly located at the Streetsville facility. Unionized employees in the Pennsauken facility (133 people) are represented by the United Food & Commercial Workers Union under a collective bargaining agreement that expires on January 16, 2011. No other employees are unionized and, to Menu's knowledge, no such unionization is currently being contemplated by employees. Of the 619 employees, 103 were employed in non-manufacturing positions and 516 were employed in manufacturing positions.

REGULATION

Governmental organizations responsible for pet food safety are The Food and Drug Administration (FDA) in the United States and Health Canada in Canada. The FDA requires filing with it of all canned, pouched and plastic cup pet food processes to confirm commercial sterility.

Plant food safety inspections are periodically performed by the State Departments of Agriculture of the FDA in the United States or Canadian Food Inspection Agency (CFIA) in Canada. Regulations relative to plant environmental impact and toxic substances lists are the responsibility of the Environmental Protection Agency (EPA) in the United States and Environment Canada in Canada. In the United States these inspections are also performed either by the state or federal agencies. In addition, to allow for product export or allowance of certain claims as required for organic products, the United States Department of Agriculture (USDA) or CFIA or their authorized inspection groups conducts inspections specific to these purposes.

Evaluation of label information is generally performed by State Feed Control Officials in the United States and Industry Canada, a branch of CFIA, in Canada. The Center for Veterinary Medicine (CVM) branch of the FDA and Health Canada serve in a technical advisory capacity when pet food safety risks or health claims are involved.

The Association of American Feed Control Officials (AAFCO) includes State Feed Control Officials and representatives of CFIA which develop, in concert with CVM participation and industry input, uniform guidelines which can be used by the individual states or provinces to harmonize regulations in concert with federal guidelines. AAFCO guidelines are updated and published yearly.

The AAFCO guidelines are adopted by many individual states in the United States and followed by the branded market leaders as well as Menu in the United States and Canada. Menu has been an active participant in the regulation development and improvement as advisors to AAFCO and/or CFIA to improve the quality and consistency of the entire pet food industry. As such a member of Menu's management team serves on the board of directors at each of the Pet Food Institute (PFI) in the United States and the Pet Food Association of Canada (PFAC) in Canada and its representative is also an active participant in the various standing committees. These guidelines contain provisions both for formulation practices and nutritional adequacy substantiation. Within regard to the latter, there are three potential methods to establish that pet foods are nutritionally adequate for pets. The least stringent is to calculate the nutrient levels in the pet food and compare it to standards published in the AAFCO manual while the most stringent is to conduct animal feeding tests on the marketed product. These tests involve a combination of food nutrient analysis, nutrient digestibility by the pet and long-term feeding studies. Menu supports the testing methods selected by its customers consistent with Menu's animal welfare policies.

Please refer to "Bovine Spongiform Encephalopathy" in the "Risks Related to the Business and the Industry" section of "Risk Factors".

INFORMATION CONCERNING THE FUND

Declaration of Trust

The Fund is an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated March 25, 2002 ("the Declaration of Trust"). A Unitholder in the Fund has all of the material protections, rights and remedies that a shareholder would have under the *Canadian Business Corporations Act*. These protections, rights and remedies are contained in the Declaration of Trust. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions.

Activities of the Fund

The Declaration of Trust provides that the Fund is a limited purpose trust and its activities are restricted to:

(a) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities of MFOT and other corporations, partnerships, trusts and other persons involved in the manufacture and sale of pet food, and such other investments as the Trustees may determine;

(b) guaranteeing obligations of its affiliates for the foregoing purposes;

(c) temporarily holding cash and other short-term investments in connection with and for the purposes of the Fund's activities, including paying amounts payable by the Fund in connection with the redemption or repurchase of any Units and making distributions to holders of Units ("Unitholders");

(d) issuing Units and other securities of the Fund (including securities convertible or exchangeable for Units or other securities of the Fund) for the purposes of: (i) obtaining funds to conduct the activities described in paragraph (a) above, including raising funds for further acquisitions; (ii) implementing unitholder rights plans or incentive option or other compensation plans, if any, established by the Fund; and (iii) making non-cash distributions to Unitholders as contemplated by the Declaration of Trust, including pursuant to distribution reinvestment plans, if any, established by the Fund;

(e) repurchasing or redeeming Units or other securities of the Fund; and

(f) undertaking such other activities, or taking such actions, including investing in securities as shall be approved by the Trustees from time to time,

provided that the Fund shall not undertake any activity, take any action, or make any investment which would result in the Fund not being considered a "unit trust", "mutual fund trust" or registered investment for purposes of the *Income Tax Act* (Canada) (the "Tax Act").

Units

An unlimited number of Units are issuable pursuant to the 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 the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders and holders of special trust units ("Special Trust Units") that are used solely for providing voting rights to persons holding Class B Exchangeable Units of MFLP or other securities that are, directly or indirectly, exchangeable for Units and that, by their terms, have voting rights of the Fund. Except as set out under "Redemption at the Option of Unitholders" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Declaration of Trust also provides for the issuance of an unlimited number of Special Trust Units. Special Trust Units were issued in conjunction with, and are not transferable separately from, the Class B Exchangeable Units to which they relate. Conversely, the Special Trust Units will automatically be transferred upon a transfer of the associated Class B Exchangeable Units. Each Special Trust Unit entitles the holder thereof to a number of votes at any meeting of Unitholders and holders of Special Trust Units equal to the number of Units which may be obtained upon the exchange of the Class B Exchangeable Units to which the Special Trust Unit relates (except for Class B Exchangeable Units which have previously been exchanged pursuant to an exchange agreement dated May 22, 2002 entered into between, among others, the Fund and GenPar ("Exchange Agreement")), but do not otherwise entitle the holder to any rights with respect to the Fund's property or income. The right of exchange associated with the Class B Exchangeable Units may be varied in certain circumstances where a take-over bid is made for the Units.

Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any unitholder rights plan, or any incentive option or other compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis. The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Trustees

The Fund is required to have a minimum of three and a maximum of ten Trustees. The Trustees supervise the activities and manage the affairs of the Fund. Trustees are appointed at each annual meeting of Unitholders and holders of Special Trust Units to hold office for a term expiring at the close of the next annual meeting.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees have full, absolute and exclusive power, control and authority over the trust assets and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the trust assets and will supervise the investments and conduct the affairs of the Fund. The Declaration of Trust was amended by resolution on May 11, 2006 at the Annual and Special Meeting of Unitholders and Special Trust Unitholders to allow a non-resident of Canada (as that term is defined in the Tax Act) to act as a Trustee, providing that a majority of Trustees will be Canadian residents. The Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a unitholder and noteholder of MFOT;
- maintaining records and providing reports to Unitholders;
- supervising the activities of the Fund;
- effecting payments of available cash from the Fund to Unitholders; and
- voting in favour of the Trustees to serve as trustees of MFOT.

The Trustees also have the right to approve the adoption of a unitholder rights plan from time to time if the Trustees determine in good faith that the action is appropriate. Any such unitholder rights plan will be effective as of the date of its adoption. That unitholder rights plan will terminate six months from the date of its adoption unless ratified and confirmed by the Unitholders in accordance with the Declaration of Trust.

Any one or more of the Trustees may resign upon 30 days written notice to the Fund and may be removed by a resolution passed by a majority of the Unitholders and holders of Special Trust Units and the vacancy created by the removal or resignation must be filled at the same meeting, failing which it may be filled by the former Trustee or Trustees. If less than a majority of Trustees would be Canadian residents after given effect to such resignation, the resignation is not effective until the resigning Trustee's successor is duly appointed as a Trustee.

A quorum of Trustees, being the greater of two Trustees or a majority of the Trustees then holding office (provided that a majority of the Trustees comprising such quorum are Canadian residents), may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees (other than as noted below) or from a failure of the Unitholders and holders of Special Trust Units to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders and holders of Special Trust Units to elect the required number of Trustees, the Trustees will promptly call a special meeting of Unitholders and holders of Special Trust Units to fill the vacancy. If the Trustees fail to call that meeting or if there are not Trustees then in office, any Unitholder or holder of a Special Trust Unit may call the meeting. The Trustees may, between annual meetings of Unitholders and holders of Special Trust Units, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders and holders of Special Trust Units, but the number of additional Trustees may not exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders and holders of Special Trust Units.

The Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee will be entitled to indemnification from the Fund in respect of the Trustee's power and the discharge of the Trustee's duties provided that the Trustee acted honestly and in good faith with a view to the best interests of the Fund.

Cash Distributions

The Fund may make monthly cash distributions, based upon cash receipts of the Fund less amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of Units. The Fund may make additional distributions in excess of the monthly distributions or suspend distribution during the year, as it sees fit, in its sole discretion.

Any income of the Fund, which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Monthly distributions are paid to Unitholders of record on the last business day of each month and are paid within 30 days following each month end. Holders of Units who are non-residents of Canada are required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustee, together with written instructions as to the number of Units to be redeemed. As the Units are issued in book entry form, a Unitholder who wishes to exercise the redemption right is required to obtain a redemption notice form from the Unitholder's investment dealer who is required to deliver the completed redemption notice form to the Fund at its head office and to The Canadian Depository for Securities Limited ("CDS"). Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the weighted average price per Unit at which the Units have traded on the principal stock exchange on which the Units are listed during the period of the last 10 trading days during which the Units traded on such exchange or market immediately prior to the date on which the Units were tendered for redemption, and (ii) an amount equal to (a) the closing price of the Units on the date on which the Units were tendered for redemption, on the principal stock exchange on which Units are listed if there was a trade on the date on which the Units were tendered for redemption and the stock exchange or market provides a closing price; (b) an amount equal to the average of the highest and lowest prices of Units on the date on which the Units were tendered for redemption, on the principal exchange on which the Units are listed if there was trading on the date on which the Units were tendered for redemption and the exchange or other market provides only the highest and lowest trading prices of Units traded on a particular day; or (c) the average of the last bid and ask prices on the date on which the Units were tendered for redemption, on the principal exchange on which the Units are listed if there was no trading on the date on which the Units were tendered for redemption.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any month shall be satisfied by way of a cash payment by the Fund within five days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of the Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable in cash by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees in respect of all Units to be redeemed); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on The Toronto Stock Exchange or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole opinion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the 10-day trading period prior to the date on which the Units are tendered for redemption; and (iv) the redemption of the Units will not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitation, then the Redemption Price for such Units shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* of assets held by the Fund. Where the Fund makes a distribution *in specie* of securities of MFOT on the redemption of Units to a Unitholder, the Fund currently intends to designate to that Unitholder any capital gain realized by the Fund as a result of the distribution of those securities to the Unitholder. In such circumstances, the units of MFOT ("MFOT Units"), each of which represents an undivided beneficial interest in the distributions and assets of MFOT, and includes a fraction of such a MFOT unit and the Series 1 notes of MFOT ("Series 1 MFOT Notes") issued under a note indenture dated May 22, 2002 (the "MFOT Note Indenture") of a value equal to the Redemption Price will be redeemed by MFOT in consideration of the MFOT notes designated as Series 2 and that may be issued from time to time pursuant to the MFOT Note Indenture ("Series 2 MFOT Notes") and the MFOT notes, designated as Series 3 and that maybe issued from time to time pursuant to the MFOT Note Indenture ("Series 3 MFOT Notes"), respectively. The said Series 2 MFOT Notes and the Series 3 MFOT Notes will then be distributed in satisfaction of the Redemption Price.

This redemption right is not intended to be the primary mechanism for Unitholders to dispose of their Units. Assets of the Fund which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any exchange and no market is expected to develop in such assets of the Fund. Fund assets so distributed may be subject to resale restrictions under applicable securities laws. Assets of the Fund so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans and tax-free savings accounts each as defined in the Tax Act.

MFOT Units

The Declaration of Trust of MFOT (the "MFOT Trust Indenture") provides that MFOT will make monthly cash distributions to holders of record of MFOT Units on the last business day of each month. Such distributions will be paid within 30 days following each month end and are intended to be received by the Fund prior to its related distributions to Unitholders. The MFOT Trustees have adopted a policy to distribute all of MFOT's available cash, subject to applicable law, to holders of MFOT Units by way of monthly cash distributions, after

- satisfaction of its debt service obligations (principal and interest); and
- any cash redemption or repurchases of MFOT Units and MFOT Notes.

If the MFOT Trustees determine that MFOT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional MFOT Units and Series 1 MFOT Notes having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the MFOT Trustees to be available for the payment of such distribution. The value of each MFOT Unit or Series 1 MFOT Note so issued will be the redemption price thereof.

MFOT Units are not intended to be issued or held by any person other than the Fund, and, as such, registration of interests in, and transfer of, the MFOT Units will not be made through the book-entry system administered by CDS. Rather, holders of MFOT Units will be entitled to receive certificates therefor.

The MFOT Units are redeemable at any time on demand by the holders thereof upon delivery to MFOT of a duly completed and properly executed notice requiring MFOT to redeem the MFOT Units in a form reasonably acceptable to the trustees of MFOT, together with the certificates representing the MFOT Units to be redeemed and written instruction as to the number of MFOT Units to be redeemed. The redemption price for each MFOT Unit tendered for redemption will be determined in accordance with a formula set out in the MFOT Trust Indenture (as defined herein).

MFOT is also entitled to call for redemption, at any time, all or a part of the outstanding MFOT Units registered in the name of the holders thereof other than the Fund at a redemption price determined and payable in accordance with the MFOT Trust Indenture.

MFOT Notes

MFOT Notes are issuable in Canadian or U.S. currency. MFOT Notes are issuable in denominations of $100.00 and integral multiples of $100.00. No fractional MFOT Notes may be distributed and where the number of MFOT Notes to be received by a noteholder includes a fraction, such number shall be rounded to the next lowest whole number. Series 2 MFOT Notes are reserved by MFOT to be issued exclusively to holders of MFOT Units as full or partial payment of the redemption price of MFOT Units as the MFOT Trustees may decide or, in certain circumstances be obliged to issue. Series 3 MFOT Notes are reserved by MFOT to be issued exclusively as full or partial payment of the redemption price of Series 1 MFOT Notes.

Interest and Maturity

The Series 1 MFOT Notes were issued to the Fund on May 22, 2002 and mature on the 25th anniversary of the date of issuance and bear interest at the rate of 0.1% per annum. Each Series 2 MFOT Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the MFOT Trustees at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 2 MFOT Note is outstanding. Each Series 3 MFOT Note will mature on the same date as the Series 1 MFOT Notes and bear interest at a market rate to be determined by the MFOT Trustees at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 3 MFOT Note is outstanding.

Payment upon Maturity

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

Redemption

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

Subordination

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

The MFOT Notes are unsecured debt obligations of MFOT.

Default

The MFOT Note Indenture provides that any of the following constitutes an event of default:

(i) default in payment of the principal of the MFOT Notes when the same becomes due and payable and the continuation of such default for a period of 10 business days;

(ii) default in payment of any interest due on any MFOT Notes and continuation of such default for a period of 10 business days;

(iii) default in the observance or performance of any other covenant or condition of the MFOT Note Indenture and continuance of such default for a period of 30 days after written notice has been given by the trustee specifying such default and requiring MFOT to rectify same; and

(iv) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to MFOT and/or its affiliates.

The provisions governing an event of default under the MFOT Note Indenture and remedies available thereunder do not provide protection to the holders of MFOT Units that would be comparable to the provisions generally found in debt securities issued to the public.

Repurchase of Units

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

Meetings of Unitholders

The Declaration of Trust provides that there shall be an annual meeting of Unitholders and holders of Special Trust Units for the purpose of: (a) the election of the Trustees; (b) the appointment of auditors of the Fund for the ensuing year; (c) generally, any other matter which requires a resolution of holders of Units; and (d) transacting such other business as the Trustees may determine or as may be properly brought before the meeting.

The Declaration of Trust provides that meetings of Unitholders and holders of Special Trust Units may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of Units and/or Special Trust Units representing not less than 10% of the aggregate votes attached to the Units and Special Trust Units then outstanding. A requisition is required to state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders and holders of Special Trust Units are entitled to attend and vote at all meetings either in person or by proxy, and a proxyholder will not be required to be a Unitholder or a holder of a Special Trust Unit. Two persons present in person or by proxy and representing in the aggregate at least 10% of the votes attached to all outstanding Units and Special Trust Units constitute a quorum for the transaction of business at all such meetings. At any meeting at which quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the holders of Units and/or Special Trust Units, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the holders of Units and Special Trust Units present either in person or by proxy shall be deemed to constitute a quorum.

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

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a "mutual fund trust" under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of the Units and the Special Trust Units then outstanding. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units or Special Trust Units are resident. If the Trustees become aware, by monitoring quarterly reports from the clearing house, that the beneficial owners of at least 49% of the Units and the Special Trust Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent or registrar shall make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units or Special Trust Units to a person unless the person provides a declaration that he or she is not a non-resident. If, notwithstanding the foregoing, the Trustees determine that 49% or more of the Units and Special Trust Units are held by non-residents, the Trustees may send a notice to non-resident holders of Units or Special Trust Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or Special Trust Units or a portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold the specified number of Units or Special Trust Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such persons, sell such Units or Special Trust Units and, in the interim, shall suspend the voting and distribution rights (if any) attached to such Units or Special Trust Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by a resolution passed by more than $66^{2/3}$% of the votes cast, either in person or by proxy, at a meeting of holders of Units and Special Trust Units at which quorum was present called for the purpose of approving such resolution, or approved in writing by holders of more than $66^{2/3}$% of votes represented by Units and Special Trust Units entitled to vote on such resolution ("Special Resolution"). The Trustees may, without the approval of the Unitholders and holders of Special Trust Units, make certain amendments to the Declaration of Trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or the Fund;
- which, in the opinion of counsel to the Trustees, provide additional protection for Unitholders and holders of Special Trust Units;
- to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders and holders of Special Trust Units; and
- which, in the opinion of the Trustees, are necessary or desirable as a result of changes in Canadian taxation laws.

Exercise of Certain Voting Rights Attached to the Securities of MFOT, GenPar and MFLP

The Declaration of Trust provides that the Fund will not vote securities held by it of MFOT, nor will it permit MFOT to vote its securities of GenPar and MFLP, to authorize, among other things,

- any sale, lease or other disposition of all or substantially all of the assets of MFOT or MFLP, except in conjunction with an internal reorganization or pledges in connection with permitted guarantees;
- any amalgamation, arrangement or other merger or combination of MFOT, GenPar or MFLP with any other entity, except in conjunction with an internal reorganization;
- any material amendment to the MFOT Note Indenture other than in contemplation of a further issuance of the notes of MFOT issued from time to time in accordance with MFOT Note Indenture, as either Series 1, Series 2 or Series 3 ("MFOT Notes") (excluding issuances made on redemption of

Units);

- the winding-up or dissolution of MFOT, GenPar, MFLP, MFOP or Menu prior to the end of the term of the Fund; or
- any material amendment to the declaration of trust dated May 22, 2002 pursuant to which MFOT was established (the "MFOT Trust Indenture"), the limited partnership agreement of MFLP or the articles of GenPar or Menu in a manner which may be prejudicial to the Fund,

without the authorization of the Unitholders and holders of Special Trust Units by resolution passed by Special Resolution.

Term of the Fund

The Fund has been established for a term to continue until 21 years after the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on March 25, 2002. The termination of the Fund may also be required by Special Resolution.

Take-over Bids

The Declaration of Trust provides that if a non-exempt take-over bid from a person acting at arm's length to holders of the Class B Exchangeable Units (or any affiliate or associate thereof) is made for the Units and a contemporaneous identical offer is not made for the Class B Exchangeable Units (in terms of price, timing, proportion of securities sought to be acquired and conditions, provided that the offer for the Class B Exchangeable Units may be conditional on Units being taken up and paid for under the take-over bid), then provided not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid from and after the date of first take-up of Units under the said take-over bid in excess of the foregoing threshold, the Class B Exchangeable Units will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of Class B Exchangeable Units will receive 1.1 Units for each Unit that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the voting rights attaching to the Special Trust Units will not be similarly adjusted, and the distribution rights will also not be adjusted until the exchange right is actually exercised.

The Declaration of Trust also contains provisions to the effect that if a take-over bid is made and not less than 90% of the aggregate of the Units and Class B Exchangeable Units (other than Units and Class B Exchangeable 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 and the Class B Exchangeable Units held by holders who did not accept the take-over bid, in both cases, on the same terms on which the offeror acquired Units from Unitholders who accepted the take-over bid.

Information and Reports

In accordance with and subject to applicable securities laws, the Fund will furnish to Unitholders and holders of Special Trust Units such consolidated financial statements of the Fund (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each meeting of Unitholders and holders of Special Trust Units, the Trustees will provide the Unitholders and holders of Special Trust Units (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders.

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

MFLP CLASS B EXCHANGEABLE UNITS

On completion of the Fund's initial public offering, MFLP issued Class B Exchangeable Units to persons, including Robert W. Bras and other members of senior management of Menu, in consideration for MFLP's acquisition of all of the common shares of Menu Foods Acquisition Inc. Class B Exchangeable Units, which are issuable in series, may also be issued in respect of other acquisitions made by MFLP from time to time. The Class B Exchangeable Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Units. The principal terms of the Class B Exchangeable Units are: (i) the Class B Exchangeable Units are exchangeable, directly or indirectly, on a one-for-one basis (subject to customary anti-dilution provisions and as provided under the "Take-over Bids" section of "Information Concerning the Fund") with the Fund for Units at the option of the holder at any time unless the exchange would jeopardize the Fund's status as a "unit trust", "mutual fund trust" or "registered investment" under the Tax Act, and subject to the Fund's right to cause the Class B Exchangeable Units to be held as it may direct and subject to MFLP's option to exchange the Class B Exchangeable Units for cash (subject to Unitholder approval); (ii) each Class B Exchangeable Unit entitles the holder thereof to receive distributions from MFLP, where practicable, *pro rata* with distributions made by the Fund on a Unit; (iii) the Class B Exchangeable Units are accompanied by Special Trust Units which entitle the holder to receive notice of, to attend and to vote at all meetings of Unitholders (except in respect of Class B Exchangeable Units previously exchanged pursuant to the Exchange Agreement); (iv) except as required by law and in certain specified circumstances in which the rights of a holder of Class B Exchangeable Units are affected, holders of the Class B Exchangeable Units are not entitled to vote at any meeting of the limited partners of MFLP; and (v) MFLP is entitled to require the redemption of the Class B Exchangeable Units in certain specified circumstances.

On February 9, 2005, the Trustees approved the audited consolidated financial statements of the Fund for the year ended December 31, 2004 which resulted in certain subordination provisions on the entitlement to distributions and restrictions on exchange previously in effect with respect to the Class B Exchangeable Units expiring in accordance with the terms of the Exchange Agreement.

Exchange Agreement

On completion of the Fund's IPO, the Fund, MFOT, MFLP and the holders of Class B Exchangeable Units entered into an Exchange Agreement. The Exchange Agreement granted the holders of Class B Exchangeable Units the right to require MFLP and the Fund to directly or indirectly exchange Class B Exchangeable Units for Units on a one-for-one basis (subject to customary anti-dilution provisions and as provided under "Information Concerning the Fund – Take-Over Bids") or, at MFLP's option with the prior approval of the holders of a majority of Units (without Special Trust Units voting) for cash, provided that the exchange will not jeopardize the Fund's status as a "unit trust", "mutual fund trust" or registered investment under the Tax Act.

The Exchange Agreement may be assigned in whole or in part by the holders of Class B Exchangeable Units.

RISK FACTORS

The Fund and Menu face numerous risks including the following:

Risks Related to the Business and the Industry

Product Recall and Litigation

Between March 16, 2007 and May 22, 2007 the Fund instituted a series of recalls of certain products, manufactured between November 8, 2006 and March 6, 2007, which were suspected of containing an adulterated ingredient. In addition, the Fund instituted a withdrawal of all varieties of recalled product, regardless of their date of manufacture, in order to reduce the risk that any recalled product might remain on the retailers' shelves.

Throughout this period of time, the Fund worked closely with regulatory authorities and its customers to learn as much as it could about the cause for the recall. It was ultimately determined that the contaminated ingredient was wheat gluten intentionally adulterated with both melamine and cyanuric acid by the Chinese wheat gluten manufacturer. This ingredient was imported from China by one broker in the United States. Subsequent to the Fund's recall, a number of other significant companies in the pet food industry, who had also purchased wheat gluten from this same broker, followed suit and instituted recalls of their own. Additional recalls by other pet food manufacturers were initiated thereafter because of adulterated rice protein concentrate also imported from China and also intentionally adulterated by the particular Chinese manufacturer of that raw material. In total, ten manufacturers of pet food, including Menu, recalled product because of the adulteration of the vegetable proteins by the Chinese manufacturers. Two Chinese companies were indicted on February 6, 2008 on charges of intentionally defrauding and misleading American manufacturers about poisonous ingredients used in pet foods. As it transpired, the Fund, the pet food industry, our customers and consumers were all victims of a fraud of monumental proportions.

The Fund estimates that, based on currently available information, the direct costs associated with this recall, which are being financed from a combination of internally generated cash flow, proceeds from asset sales and bank credit facilities, will be approximately $55 million. These estimated costs had a significant impact on the results for the year ended December 31, 2007.

On May 14, 2007 the Fund reached an agreement with its lenders to increase the amount available under the bank facility and on May 14, 2007 and again on October 19, 2007 to modify the terms of its existing facility in order to provide funding for the direct and indirect costs of the recall. The amended agreements increase the rates of interest paid by the Fund. Both of these changes have increased the Fund's financial expenses and are expected to continue to do so going forward.

Lawsuits have been initiated against the Fund and certain of its subsidiaries in the United States and in Canada, which seek to recover damages on behalf of the named plaintiffs and a purported class of pet owners, over 100 of which were consolidated in what is known as the Pet Food Multi-District litigation. On October 14, 2008, the U.S. Court issued an oral order giving final approval of the cross-border settlement agreement in the Pet Food Multi-District litigation. On November 3, 2008 there was a simultaneous hearing for final approval in the various Canadian courts. Formal final approval of the U.S. Court was given on November 17, 2008 and final approval of the Canadian courts was provided on November 27, 2008. Two appeals have been filed from the order of the U.S. Court approving the settlement agreement. It is uncertain how long these appeals will take to resolve. No appeals have been filed in Canada and the time for filing an appeal has passed. However, the settlement agreement requires the appeals in the United States to be finally determined prior to any payments to claimants, and therefore settlement payments to pet owners in both the United States and Canada will be delayed until the appeals have been resolved. The settlement agreement would resolve more than 100 class action lawsuits filed in the U.S. and Canadian courts and is binding on all members of the settlement class, except for the 114 individuals who have validly opted out of the settlement and who thereby retain their claims against one or more of the defendants, including Menu.

The settlement agreement created a settlement fund of US$24 million that will allow a potential recovery of up to 100% of all economic damages incurred by pet owners, subject to certain limitations. The settlement fund, administered by a neutral claims administrator, will be available to persons in the United States and Canada who purchased or obtained, or whose pets used or consumed, recalled pet food and who appropriately filed claims to that effect. Pursuant to the settlement agreement, the settlement fund is funded by the defendants, including the Fund and its product liability insurer. The Fund's corporate contribution to the settlement is within its previously recorded recall provision of $55 million.

Other actions and investigations remain outstanding, and it is possible that additional actions or investigations may arise in the future. The U.S. Food and Drug Administration is conducting an investigation into the situation. The United States Attorney for the Western District of Missouri, based in Kansas City, has informed Menu that it is the target of a criminal investigation for possible violations of the U.S. Federal Food, Drug and Cosmetic Act. It is possible that additional actions or investigations may arise in the future. The Fund may be required to expend significant amounts and to devote considerable management time to these matters. It is not possible to predict the amount of such expenses, the resolution of such claims or investigations, or the extent to which these items will be paid by insurance.

Leverage; Restrictive Covenants

MFLP (or its affiliates) has significant third party debt service obligations under its senior secured notes and banking agreements (the “Credit Facilities”). The degree to which MFLP (or its affiliates) is leveraged could have important consequences to the holders of the Units, including: (i) the ability of MFLP (and its affiliates) to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a material portion of MFLP’s (or its affiliates’) cash flow from operations may need to be dedicated to payment of the interest on indebtedness or to the repayment of the indebtedness itself, thereby reducing funds available for future operations and to pay distributions; (iii) a significant portion of the borrowings are at variable rates of interest, which exposes MFLP (or its affiliates) to the risk of increased interest rates; and (iv) MFLP (or its affiliates) may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. MFLP’s (or its affiliates’) ability to make scheduled payments of interest on, to refinance, or to make scheduled repayments on, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Credit Facilities contain restrictive covenants of a customary nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of MFLP (or its affiliates) to incur additional indebtedness, to pay distributions or make certain other payments and to sell or otherwise dispose of assets. In addition, the Credit Facilities contain a number of financial covenants that require MFLP (or its affiliates) to achieve a certain level of earnings before interest, taxes, depreciation, amortization and rent. A failure to comply with the obligations in the Credit Facilities could result in an event of default which, if not cured or waived, could permit acceleration of the repayment obligations of the relevant indebtedness. If the indebtedness under the Credit Facilities were to be accelerated, there can be no assurance that the assets of MFLP (or its affiliates) would be sufficient to repay in full that indebtedness. There can also be no assurance that the Credit Facilities or any other credit facility will be able to be refinanced or be refinanced on the same terms and conditions as are currently in place.

The costs associated with the product recalls and the restructuring of the Fund’s operations that followed the product recalls were significant and resulted in the Fund not being in compliance with certain financial covenants with its bank and senior secured noteholders as at March 31, 2007 and during the quarter ended

September 30, 2007. Accordingly, on May 14, 2007 and again on October 19, 2007, the Fund entered into amended agreements with its lenders that, among other things, defined the terms and conditions governing the Fund’s facilities going forward (the “New Credit Facility”). Until the New Credit Facility is extinguished and the balance owed under the bank facility is less than US$15 million for five consecutive business days and the Fund achieves a total debt to Bank EBITDA (a non-GAAP measure that is defined in the amended banking agreement) ratio (the “Leverage Ratio”), on a trailing twelve-month basis of 3 to 1 or less (the “Threshold Conditions”), and until such time as the recall costs no longer impact the Fund’s Leverage Ratio, certain of the covenants forming part of the agreements governing the facilities have been suspended. Under covenants presently effective (under both the bank facility and senior secured notes facility) the Fund’s Bank EBITDA must be at least $20 million on a trailing twelve-month basis each quarter. Additionally, under the terms of the amended agreements, not more than $55 million may be utilized by the Fund for recall-related costs and restructuring costs should approximate $4 million, upon completion of the restructuring. These changes are consistent with the terms and conditions governing the senior secured notes.

Pursuant to its amended banking agreement, the operating facility bears interest at Canadian prime rate (2.25% as at December 31, 2009) plus 3.5%, U.S. base rate (3.25% as at December 31, 2009) plus 3.5% or Euro rate (0.25% as at December 31, 2009) plus 4.75% (the "Base Rates") depending on the currency advanced. These interest rates will continue to apply until the additional US$20 million facility is extinguished and the balance owing under the US$30 million facility is less than US$15 million for five consecutive business days and the Fund achieves a total debt to Bank EBITDA ratio (the "Leverage Ratio"), on a trailing twelve months basis, of 3 to 1 or less, at which time the interest rates will revert to those set out in the Fund's credit facilities prior to amendment, provided that there are no other defaults. The Fund is precluded from paying distributions to its Unitholders at any time the Leverage Ratio exceeds 3 to 1.

Certain bank indebtedness has been identified as priority indebtedness under an agreement between the bank and senior secured noteholders. Otherwise, the Fund has pledged, on a pari passu basis with its senior secured noteholders, as security for bank indebtedness, all moveable property and book debts and, in addition, has signed a general security agreement.

On October 31, 2003, the Fund closed a private placement offering for US$85,000 in floating rate senior secured notes (the "Notes Facility"). The notes, of which US$75,157 was outstanding at December 31, 2009, are repayable on October 31, 2010, with interest payable quarterly.

The Fund was not in compliance with certain financial covenants with its Lenders as at March 31, 2007 and during the quarter ended September 30, 2007. Accordingly, on May 14, 2007 and again on October 19, 2007, the Fund entered into amended agreements with its Lenders that, among other things, define the terms and conditions governing the Fund's bank operating and senior notes facilities going forward.

Pursuant to the terms of the Agreements, the Notes Facility now bears interest at floating rate, three-month LIBOR (0.25% as at December 31, 2009) plus 580 basis points. This rate will continue to apply until the additional US$20 million bank facility is extinguished and the balance owing under the US$30 million bank facility is less than US$15 million for five consecutive business days and the Fund achieves a Leverage Ratio, on a trailing twelve months basis, of 3 to 1 or less, at which time the interest rates will revert to those set out in the Fund's existing Notes Facility, provided that there are no other defaults. The Fund is precluded from paying distributions to its Unitholders at any time the Leverage Ratio exceeds 3 to 1.

Certain of the pre-existing covenants have been suspended on an identical basis with those of the bank. Furthermore, under the terms of the amended agreements, not more than $55 million may be utilized by the Fund for recall-related costs and restructuring costs should approximate $4 million upon completion of the restructuring.

During the quarter ended March 31, 2006, the Fund fixed interest rates at 5.35% plus the applicable spread on US$50 million through to October 2010.

On February 3, 2010 the Fund executed an agreement with its banker for the provision of US$105,000 of fully underwritten credit facilities (the "Facilities") which are expected to close on or about March 31, 2010. The Facilities are comprised entirely of senior debt and include a US$30,000 revolving term facility and a US$75,000 non-revolving term facility. The proceeds of the Facilities will be used to repay all of the Fund's existing debt, including the senior secured notes which were to mature October 31, 2010. The Facilities will mature three years from the date of closing. The Facilities commitment from the bank is subject to normal terms and conditions, which contain, among other things, a material adverse change clause. Management remains confident that the Facilities will close as described.

The non-revolving term facility will be repaid in quarterly installments of principal commencing the third full quarter after closing as follows:

Period	**Percentage of Initial Amount**
Quarters 3 – 5	2.5% each quarter
Quarters 6 – 9	3.5% each quarter
Quarters 10 - 11	4.0% each quarter
Quarter 12	Balance

Cost and Price Increases

Increasing input costs are a regular part of Menu's business. Rising costs of steel and aluminum mean higher can costs. Higher utility costs, together with increases in medical benefits (escalating at rates well above inflation) and labour, push the cost of operating higher. Higher fuel costs, together with legislation in the United States on work hours for truck drivers and trucking delays crossing the Canadian/United States border increases the cost of delivery. Rising costs for meats and grain products also increase the cost of products. Such cost increases have occurred routinely over the past number of years and continued to occur in 2008. Regular price increases are essential to mitigate the effect rising costs have on margins.

In respect of its private-label business, in both the United States and Canada, Menu's practice, in order to help ensure that the Fund's products are competitively priced at retail, has been to initiate price increases once leading national brand manufacturers have announced price increases on their products, although in some instances, such as during the fourth quarter of 2008, Menu has initiated price increases independent of the national brands. Typically these increases follow a period of rising costs and consequently are preceded by a time of compressed margins. In some instances, as has been the case in the past, outside factors can allow the period of compression to continue for much longer than would otherwise be the case. Absent regular price increases in the future, Menu expects that the margins on its private-label business will continue to be compressed from time-to-time.

In January 2008 and again in August 2008, Menu followed the leading national brand manufacturers and increased prices to its private-label customers. Taken together, these two price increases were expected to increase Menu's sales by more than 8% and should enable Menu to recover some of the cost increases absorbed during the time since the previous price increase. Subsequent to these increases, the costs of such inputs as meat, labour, certain utilities and medical benefits have continued to escalate. Most significantly, the cost of tinplate (used in the manufacture of steel cans) increased, resulting in a 48.2% increase in the cost of steel cans in early 2009. During the fourth quarter of 2008 Menu announced a price increase on steel cans to recover these increased costs. Shortly after Menu's announcement, Menu became aware that several leading national brand manufacturers announced similar increases of their own. As in the past, continued cost increases are expected to adversely impact the Fund's margin until such time as national brand price increases permit the Fund to once again increase prices.

For the contract-manufacturing portion of Menu's business, most of these cost increases are automatically passed on to customers (albeit with some time delays). Consequently, the degree of margin compression is not as severe as it can be in the case of the private-label business.

Customers

During 2007, the Fund was advised that customers whose volume represented approximately 37% of sales in 2006 would no longer be purchasing products from Menu. Much of this business was lost during 2007 and by the fourth quarter of 2009 these customers were only accounting for about 2.1% of the Fund's total volume. The Fund expects that this remaining business will be lost during 2010. In addition, during December 2008 Menu initiated its third price increase of 2008 to its private-label customers. Early in 2009, in part in response to these price increases and in part as a consequence of a decision by a branded customer to self-manufacture their own products, certain customers advised Menu that they would be discontinuing purchasing some products as well. These customers accounted for approximately 2.1% of sales during the fourth quarter of 2009 (10.3% in the fourth quarter of 2008). Business with our remaining customers continues to be re-established as evidenced by their growth in volume in the fourth quarter of 2009 at a rate of 2.8% versus the same period in 2008. The Fund believes that the recall did not cause it to violate any of its contracts with its customers because, among other things, the recall was caused by unforeseen circumstances beyond the Fund's control. However, it is possible that in the future Menu may be found to have breached contracts with one or more of its customers as a result of the recall.

Uninsured and Underinsured Losses

The Declaration of Trust requires that the Fund obtain and maintain at all times insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of similar assets and operations. Management of Menu believes that the insurance coverage which will be maintained will be in the form of comprehensive property and casualty insurance with coverage and amounts sufficient to repair or replace any assets physically damaged or destroyed, including coverage for resultant business interruption losses, or extra expenses sustained, and to cover in respect of claims for bodily injury or property damage arising out of assets or operations. However, not all 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 or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of Menu.

Reliance on Key Personnel

Menu's operations are dependent on the abilities, experience and efforts of its senior management and certain other key personnel. Should any of these persons be unable or unwilling to continue their employment with Menu, there may be a material adverse effect on Menu's financial condition and results of operations.

Sales Contracts

Menu typically does not enter into written agreements with its customers. As a result, customers may, without notice or penalty, terminate their relationship with Menu at any time. In addition, even if customers should decide to continue their relationship with Menu, there can be no guarantee that they will purchase the same amounts of products as in the past or that they will agree to pay the same price for those products. Any loss of a customer, or decrease in the volume purchased or price paid by a customer for products could have a material adverse effect on Menu's financial condition and results of operations.

Suppliers

Menu relies on single suppliers for the majority of its can and pouch requirements. Should these suppliers fail to deliver in a timely manner, delays or shut-downs of Menu's operations could result. In addition, should the cost of cans or pouches supplied to Menu rise as a consequence of these suppliers passing along increased commodity costs (primarily aluminum and steel in the case of cans), it may have a material adverse effect on Menu's financial results. Should either of these events occur, it may have an adverse impact on Menu's ability to service the needs of its customers, cause it to lose, or adversely impact the profitability of sales to, such customers.

Menu's agreement with its can supplier expires on December 31, 2013. Thereafter, there can be no assurance that this contract can be re-negotiated on the same or similar terms and conditions as the existing agreement.

Shift in Pet Food Distribution Channels

Menu has the majority of its private-label sales in the supermarket channel, with its entry into the mass merchandiser, dollar and discount and pet specialty channels being relatively recent. Industry sources show that supermarkets have been losing market share in the wet pet food market segment to mass merchandisers and pet specialty retailers and more recently, to the growing dollar and discount retailers. Menu's customer base may be eroded and its private-label sales may decline if the decline in supermarket market share continues and if Menu is unable to develop customer relationships in other segments of the market, including mass merchandisers, dollar and discount and pet specialty.

Failure to Develop Product Options

Menu strives to execute a "quick-to-follow" strategy whereby once a leading brand establishes a popular product format or formulation, Menu offers an analogous product to its customers. There can be no assurance of Menu's ability to continue to produce products, which are competitive with the brand name products, or that the products it does develop will receive widespread acceptance or that new products will yield favourable margins. Failure to develop and successfully market new products at favourable margins could have a material impact on Menu's business prospects.

Operating and Product Hazards

Menu's revenues are dependent on the continued operation of its facilities. The operation of facilities involves some risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. In addition, there can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public.

Epoxy Compounds including BPA

There are various compounds used in can coatings utilized in food contact surfaces which are under investigation globally by food safety agencies. These include BPA (Bisphenol A), BADGE, BPF (Bisphenol F), BFDGE, and NOGE (Novolac glycidyl ethers). The latter two are typically used together in lacquers where more chemical and heat resistance is desired. BPF is a precursor for BFDGE and NOGE. Similarly BPA is a precursor for BADGE and these 2 compounds therefore show up together in other types of cans. In the European Union ("EU") NOGE is of the greatest concern and its use is disallowed in food cans but not pet food cans at this time. In North America BPA has received the most scientific interest because of findings with human foods where this compound has been found to leach from containers in PET bottles and certain cans. It is of special concern in infant containers. With respect to pets, there was one study which alluded to a possible relationship of BPA presence in cans to hyperthyroidism in cats. This was a population analysis rather than a cause-and-effect study. There has been much recent public pressure in North America and globally to re-evaluate the safety of BPA and this is having an obvious impact on regulatory bodies. The canning industry has had an active research program to identify BPA alternatives but has yet to identify a suitable replacement. Unfortunately many cans which do not contain BPA do contain NOGE. Therefore if either the EU would change its position on NOGE in pet food packaging or North America on BPA before the industry has an alternative identified, there could be an industry-wide supply shortage in cans and ends.

Processing-Labile Epizootic diseases

Epizootic diseases present in North America continue to provide opportunities for other countries to refuse import of raw materials and finished goods originating from either localized or broad geographical regions. Often times these represent trade barriers rather than true risks to the native pet population. An example occurred during 2006 with avian influenza ("AI" or Bird Flu) with regard to a specific strain (H5N1) which has been found in Asia and has spread to Eastern Europe. The standard cooking process associated with wet pet food production would destroy the virus, but trade was temporarily disrupted. Salmonella presence in raw materials represents another such example where wet pet foods are at less risk than dry pet foods. PFI is working with the World Organization for Animal Health regarding draft guidelines associated with pet food processing impacts on pathogenic organisms to curtail these trade barriers, utilizing a risk-based approach for import strategies. Although this will provide international trade guidelines the standards remain in draft form at the present time. An added risk which has surfaced in recent years in dry pet foods with respect to salmonella is that both pet and pet owner safety need to be considered. A recall was issued for this product format where no pets became ill but the pet owner, through mishandling did. The breadth of a recent recall caused by a single peanut-processing plant shows the potential impact caused by a single ingredient where the process does not inactivate the organism or where the FDA believes it is safer to demand a recall to minimize any potential sensitivity/risk. A recall for any reason has obvious business disruption potential.

Allergens

Allergens are one of the most often cited causes of Class I recalls in human food. Production has become quite complex to eliminate the potential for cross-contamination, resulting in dedicated lines or plants. Currently there are no regulations associated with allergen control in pet foods. Enactment of similar regulations for pet foods or extension of human food allergen risk to pet foods because of food handling would result in the need for a massive overhaul of existing pet food manufacturing techniques.

Bovine Spongiform Encephalopathy ("BSE")

The BSE agent remains an area of international concern as it is not destroyed by conventional processing techniques. Menu sources raw materials from various animal groups including those from ruminant materials. Such ruminant animals are susceptible to contracting BSE which can, potentially, be transmitted to humans and/or animals. Should additional cases of BSE be found in Canada or the United States, the food regulators in these countries would be expected to take steps to limit the use of BSE related material in the manufacture of pet food and to take steps to limit the shipment of products from a BSE affected country. Such actions may have a material adverse effect on Menu's financial condition and results of operations. Fortunately, at the present time both the United States and Canada are classified as minimal risk, allowing free trade within North America and to most countries utilizing risk-based approach to food safety. Some countries with less well-developed internal food safety organizations continue to use the low-level presence of BSE as a trade barrier. Emergence of new diseases which are resistant to conventional processing could additionally have a similar adverse impact on trade.

Mold Toxins

Molds have the opportunity to grow during dry or wet extremes in growing or harvesting season. The mold toxins which are formed are stable to heat. Although mold toxin detoxifying agents are available for use in the feed industry, most pet food manufacturers including Menu have adopted the position of not-accepting grains with mold toxins at levels which represent a food safety risk. There have been several recalls relating to mold toxin presence in pet foods. These have all been in dry pet foods because of the relatively low level of inclusion in wet pet foods, where the risk would more typically be one of supply disruption.

Economic Adulteration

Menu was one of many victims of a massive incident of economic adulteration of two pet food ingredients, wheat gluten and rice protein, with melamine and related compounds in late 2006 and early 2007. Similar to the salmonella contamination of peanuts, the adulteration from a small number of supply plants was devastating and not related to customer size. Such incidents have continued in several human food products including milk. This type of adulteration takes advantage of existing rapid technology used to characterize food ingredient quality and the increasing need to minimize supply chain costs by reducing lead times relative to product deliveries. The expansion to sourcing on a global basis and transfer of raw material production to overseas markets with more difficult oversight has also contributed to this risk. There are numerous pieces of legislation designed to reduce the risk of economic adulteration but in many cases this involves preparing for the unknown compared to traditional food safety systems which monitor criteria in a risk-based assessment based on good manufacturing practice failures in the supply chain.

Bioterrorism

North America has been fortunate to have a history of lower incidence of terrorist activities than many countries. While extensive monitoring systems have been incorporated at country borders there remains the possibility of domestic terrorist activities which focus on the maximum impact. While it is unlikely that pet food would be a vehicle for such action, the possibility still exists that contamination of a raw material could impact both the food and pet food industry. Additionally, with difficult economic times and commensurate layoffs, there is an increasing possibility of individuals, regardless of their place of employment, seeking to inflict damage on others for their unfortunate circumstances. This has clearly been recognized by the FDA, where government and industry are working together to identify highest-risk vulnerabilities for various industries.

Governmental Regulation

Changes to any of the laws, rules, regulations or policies relating to the production, processing, preparation, distribution, packaging and labeling of Menu's products could have a significant impact on Menu's business. There can be no assurance that Menu will be able to comply with any future laws, rules, regulations and policies. Failure by Menu to comply with applicable laws, rules, regulations and policies may subject Menu to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on Menu's financial condition and results of operations.

Free Movement of Finished Goods Across the Border

During 2003, following the discovery of a single case of BSE in each of Alberta, Canada and Washington, USA, each of the United States and Canadian governments respectively closed their borders to pet food manufactured in the other country. Similarly Mexico and certain other countries followed suit in respect of such closures. While certain restrictions on the importation of pet food have been lifted by some of those countries, unrestricted movement has not returned and in certain cases the "bans" remain unchanged. Those closures had a material adverse affect on Menu's operations during 2003 and even with a leniency of the restrictions, have resulted in added costs to its operations. During 2004, Menu took steps to reduce its dependence on cross-border shipments between Canada and the United States. Despite the changes to production capabilities made by Menu in 2004, there can be no assurance that these changes will negate the effect of any future border closures nor can there be assurance that such changes will not result in additional costs to Menu. In addition, such changes do not address the issue of shipments to customers in countries other than Canada or the United States where border closures for BSE or for any other reason could adversely impact sales to that country. Also, even after completion of changes to Menu's production capabilities during 2004, future border closures may adversely affect the cost of Menu's raw materials or other import costs.

Environmental, Health and Safety Regulation

Menu's operations have been and are subject to extensive and increasingly stringent laws relating to environmental, health and safety matters, including the storage, handling, processing, transportation and disposal of various substances and wastes, including emissions to the air, discharges to water and other impacts on the environment. Menu's ownership, management and control of its properties also carry the risk of potential uninsured or underinsured environmental liability. Although Menu has not incurred significant capital or operating expenses to comply with environmental, health and safety laws, it is possible that changes to such laws, or more rigorous enforcement, could have a material adverse effect on Menu's financial condition and results of operations. Further, additional environmental, health and safety issues relating to matters that are currently not known to management may result in unanticipated liabilities and expenditures.

Competitive Environment

The pet food industry in North America is highly competitive. Some of Menu's competitors have economic resources greater than those of Menu and are well established as suppliers to the markets that Menu serves. Accordingly, such competitors may be better able to withstand volatility within industries and throughout the economy as a whole while retaining significantly greater operating and financial flexibility than Menu. There can be no assurance that Menu will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on Menu's financial condition and results of operations.

Foreign Exchange Exposure

The vast majority of Menu's sales are in the United States, although the financial covenant to earn a predetermined amount of EBITDA and cash distributions payable by the Fund and MFLP are in Canadian dollars. As a result, fluctuations may have a material impact of Menu's financial results and the amount of cash available for distribution to Unitholders.

Labour Action

The success of Menu's business depends on a large number of employees, some of whom are unionized. Menu's collective agreement with its unionized employees in Pennsauken, New Jersey expires on January 16, 2011 and there can be no assurances that it can be re-negotiated on terms acceptable to Menu. Any organized work stoppage or other similar job action at one or more of its facilities may have a material adverse effect on Menu's financial condition and results of operations.

Risks Related to the Structure of the Fund

Dependence on MFOT and MFLP

The Fund is a limited purpose trust, which is entirely dependent on the operations and assets currently owned by Menu through its ownership of MFOT and, indirectly, MFLP. Accordingly, the cash distributions to the Unitholders are dependent on the ability of MFOT and MFLP to pay distributions in respect of the MFOT Units and interest on the MFOT Notes and to pay distributions in respect of the Class A units of MFLP, respectively. The ability of the subsidiaries of MFOT to pay distributions or make other payments or advances to MFOT will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those subsidiaries.

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

When able by the terms of its credit facilities (including meeting those financial ratios necessary to permit the payment of distributions), and when deemed appropriate by the Trustees of the Fund, the Fund intends to distribute the interest and other income earned by the Fund less amounts, if any, paid by the Fund in connection with the redemption of Units. However, there can be no assurance regarding the amounts of income to be generated by Menu and MFOP and paid to the Fund. When distributions are permitted by the terms of its credit facilities and when deemed appropriate by the Trustees of 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 and capital expenditures.

Nature of Units

Securities such as the Units 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 business of Menu and should not be viewed by investors as shares or debt of Menu. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary asset is its interests in MFOT. The price per Unit is determined by the market and is a function of numerous variables.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute MFOT Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the MFOT Notes. In addition, the MFOT Notes are not freely tradable and are not currently listed on any stock exchange. Securities 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.

Potential Dilution

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of Unitholders. The issuance of additional Units may dilute a Unitholder's investment in the Fund and reduce earnings per unit and/or distributable cash per unit.

Restrictions on Potential Growth

When distributions are permitted by the terms of the Fund's credit facilities and are approved by the Trustees of the Fund, the pay out by each of Menu and MFOP 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 such funds could limit the future growth of Menu and/or MFOP and the related cash flow to the Fund.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be personally liable despite such statement in the Declaration of Trust for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible.

In December 2004 a new statute, the *Trust Beneficiary's Liability Act* (Ontario), was enacted to create a statutory limitation on the liability of unitholders of Ontario income trusts such as the Fund. The legislation provides that a unitholder will not, as a beneficiary, be liable for any act, default, obligation or liability of the trust or any of its trustees after the legislation came into force. However, this legislation does not address potential liabilities arising before the date the legislation came into force. In addition, this legislation has not been judicially considered and it is possible that reliance on the legislation by a unitholder could be successfully challenged on jurisdictional or other grounds.

Undiversified and Illiquid Holding in MFOT

The Fund's holding of MFOT Units and MFOT Notes is undiversified, and such securities are illiquid, as they are not (and are not expected to be) listed or quoted on any stock exchange or other market.

Investment Eligibility

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 funds, registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

Goodwill

Goodwill reflects the price paid for the Menu business in excess of the fair market value of net tangible assets and identifiable intangible assets acquired. Menu operates as one reporting unit for purposes of allocating and evaluating goodwill. The Fund reviews goodwill on an annual basis or at any other time when events or changes have occurred that would suggest an impairment of the carrying value. Impairment would be recognized when the estimated fair value of the goodwill is lower than the carrying value. If Menu fails the first step of the goodwill impairment test, it will determine the fair value of customer relationship intangibles taking into account future contract renewals. Goodwill impairment was recognized for the years ended December 31, 2005 and 2007.

Income Tax Matters

There can be no assurance that Canadian or United States federal income tax laws or the judicial interpretation thereof or the administrative and/or assessing practices of either or both of the Canada Revenue Agency or the United States Internal Revenue Service and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax treatment accorded to distributions on Units would be materially and adversely different in certain respects.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of Units were held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed amendments. The issue of ownership of units of mutual fund trusts by non-resident persons and partnerships other than Canadian partnerships has not been addressed in any subsequent Federal Budget or proposed changes to the Tax Act. The government has announced that these proposals have been suspended pending further discussions with the private sector.

Further, interest on the MFOT Notes accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. Where interest payments on the MFOT Notes are due but not paid in whole or in part, the Declaration of Trust provides that additional Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those Units into their taxable income, in circumstances when they do not directly receive a cash distribution.

Income Tax Legislative Developments

On June 22, 2007, Bill C-52, which significantly modifies the income tax rules applicable to certain publicly traded or listed trusts and partnerships, received Royal Assent. In particular, certain income of (and distributions made by) these entities will be taxed in a manner similar to income earned by (and distributions made by) a corporation. These rules will be effective with respect to trusts which commence public trading after October 31, 2006. For trusts which were publicly traded or listed prior to November 1, 2006, the application of the rules will be delayed to the earlier of (i) the trust's 2011 taxation year, and (ii) a taxation year of the trust in which the trust exceeds normal growth as determined by reference to the normal growth guidelines, as amended from time to time, unless that excess arose as a result of a prescribed transaction.

On December 15, 2006, the Department of Finance (Canada) released guidance for income trusts and other flow-through entities that qualify for the four-year transitional relief. The guidance, as amended from time to time, establishes objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. If the limits as described in the normal growth guidelines are exceeded, the Fund may lose its transitional relief and thereby become immediately subject to the new rules.

The Department of Finance (Canada) has tabled legislative proposals to amend the Income Tax Act (Canada) (the "Proposed Amendments") to clarify certain aspects of the new rules. One of the Proposed Amendments is intended to exempt from the new rules a subsidiary partnership that is not publicly traded and this is wholly-owned by a SIFT trust or partnership, a taxable Canadian corporation, a REIT, an excluded subsidiary entity or a combination of these entities. Although MFLP is not publicly traded, the Proposed Amendments do not appear to exempt a partnership with individual partners. However, the Fund believes that MFLP will not be subject to tax under the new rules prior to January 2011, assuming compliance with the normal growth guidelines. The Proposed Amendments also include rules to facilitate the conversion of an income trust into a corporation on a tax-deferred basis (the "Conversion Rules"). The Conversion Rules provide income trusts with tax efficient structuring options to convert to corporate form in advance of their 2011 taxation – at which time most income trusts would be subject to a new entity level tax based on corporate income tax rates. Management is reviewing the Conversion Rules to assess their implications to the Fund. There can be no assurance that the Proposed Amendments will be enacted as proposed or at all.

The Fund is considering these announcements and the possible impact of the new rules to the Fund. The new rules (including the normal growth guidelines) may adversely affect the marketability of the Fund's units and the ability of the Fund to undertake financings and acquisitions, and, at such time as the new rules apply to the Fund, the distributable cash of the Fund may be materially reduced.

DISTRIBUTIONS

Cash distribution per Unit for fiscal 2009, 2008 and 2007 were as follows:

	2009	2008	2007
January	--	--	--
February	--	--	--
March	--	--	--
April	--	--	--
May	--	--	--
June	--	--	--
July	--	--	--
August	--	--	--
September	--	--	--
October	--	--	--
November	--	--	--
December	--	--	--

The Fund's credit facilities prohibit the payment of distributions while the Fund's debt to Bank EBITDA ratio is equal to or greater than 3 to 1, as was the case at December 31, 2005. As such, the Fund suspended distributions in December of 2005. For the nine months ended September 30, 2006, the Fund did not declare or pay any distributions on the Trust Units or on the Class B Exchangeable Units. The Fund was expected by its lenders to use 75% of its excess cash to reduce its indebtedness until a total debt to Bank EBITDA ratio of 3 to 1 or less was achieved. During the quarter ended September 30, 2006, this level of total debt to Bank EBITDA was attained. During the year ended December 31, 2006 the Fund's senior secured notes were reduced from US$85.0 million to US$75.2 million. No distributions were declared during the fourth quarter of 2006. Having attained a total debt to Bank EBITDA ratio of less than 3 to 1 during the quarter ended September 30, 2006, the Fund was in a position to consider future distributions. However, as a result of the recall related events in 2007, the Fund experienced a total debt to Bank EBITDA ratio of greater than 3 to 1. There can be no assurance as to either when the Fund will resume monthly distributions, or the amount of the monthly distributions that can be paid at that time. Until distributions are resumed, distributable cash generated will be used to reduce outstanding debt and increase liquidity. See "Information Concerning the Fund – Cash Distributions".

MARKET FOR SECURITIES

The Fund's Units are listed for trading on the Toronto Stock Exchange under the symbol "MEW.UN".

The monthly trading volume and price ranges of Units traded at the Toronto Stock Exchange over the Fund's last financial year are as follows:

Month	High	Low	Volume
January 2009	0.99	0.75	182,682
February 2009	0.83	0.67	562,099
March 2009	0.89	0.64	217,225
April 2009	1.25	0.89	552,792
May 2009	1.68	1.15	3,317,890
June 2009	1.55	1.35	123,255
July 2009	1.49	1.26	210,272
August 2009	1.69	1.20	198,104
September 2009	1.73	1.52	115,153
October 2009	3.03	1.52	398,520
November 2009	2.74	1.85	360,854
December 2009	3.30	2.20	409,307

TRUSTEES OF THE FUND

The names and municipalities of residence, and principal occupations for the five preceding years of the Trustees of the Fund are as follows:

Name and Municipality of Residence	Office Held	Principal Occupation for Five Preceding Years	Trustee Since
C. Ian Ross Ontario, Canada	Chairman of Board of Trustees	Chair, GrowthWorks Canadian Fund Ltd.; Board Member, Ontario Power Generation Inc since December 2003; Board member, RuggedCom Inc. since June 2007; Board member ING Direct Asset Management Limited since December 2007; Board member Clearford Industries Inc. since March 2008. Board member and audit committee member, Walton Ontario Land 1 Corporation since February 2010.	June 2007
Alexander R. Aird, Ontario, Canada	Trustee	Consultant[(1)]	May 2005
L. Gale Prince Ohio, U.S.A	Trustee	Chair, International Association for Food Protection Endowment Foundation; Board Member, Food Allergy Awareness Support and Training (FAAST); Member, Science Advisory Committee – American Peanut Council; Member of the Ohio Food Safety Council; Trustee, the Association of Food and Drug Officials Endowment Foundation; prior to November 2007, Director of Regulatory Affairs, The Kroger Company, a grocery retailer; Quarter appointment, University of Minnesota – National Center for Food Protection and Defence 2010; President and Founder, Your Food Safety Coach, LLC., 2009 to present.	September 2007
Eric A. Demirian[(2)] Ontario, Canada	Trustee	President of Parklea Capital Inc., an independent investment banking and corporate finance firm. Board member and audit committee chairman of Keystone North America Inc., since 2008 and Enghouse Systems Limited since 2005.	May 2005
James F. Billett Ontario, Canada	Trustee	President J.F.Billett Holdings Ltd., a financial consulting company. Prior to March 31, 2005 an independent consultant with PricewaterhouseCoopers LLP. Board member and audit committee chairman of Canadian General Investments, Limited since 2005. Board member and audit committee member of E-1 Financial Corporation Limited since 2007.	May 2009

Each Trustee is to hold office until the next annual meeting or until his successor is elected or appointed.

(1) See footnote (1) on page 45.
(2) See footnote (2) on page 45.

DIRECTORS AND OFFICERS OF GENPAR

The names and municipalities of residence, and principal occupations for the five preceding years of the directors and executive officers of GenPar are as follows:

Name and Municipality of Residence	Office(s) Held	Principal Occupation for Five Preceding Years	Director Since
C. Ian Ross Ontario, Canada	Chairman, member of Compensation and Corporate Governance Committee, Audit Committee, Food Safety and Quality Assurance Committee, and Chairman of the Strategic Alternatives Committee	Chair, GrowthWorks Canadian Fund Ltd.; Board Member, Ontario Power Generation Inc since December 2003; Board member, RuggedCom Inc. since June 2007; Board member ING Direct Asset Management Limited since December 2007; Board member Clearford Industries Inc. since March 2008. Board member and audit committee member, Walton Ontario Land 1 Corporation since February 2010.	June 2007
Alexander R. Aird Ontario, Canada	Director, Chairman of Compensation and Corporate Governance Committee	Consultant[(1)]	July 2002
Margaret A. Bras Ontario, Canada	Director	Private Investor	November 2002
Robert W. Bras Minnesota, U.S.A.	Director, member of Strategic Alternatives Committee	Private Investor	November 2002
L. Gale Prince Ohio, U.S.A.	Director, Chairman of the Food Safety and Quality Assurance Committee	Chair, International Association for Food Protection Endowment Foundation; Board Member, Food Allergy Awareness Support and Training (FAAST); Member, Science Advisory Committee – American Peanut Council; Member of the Ohio Food Safety Council; Trustee, the Association of Food and Drug Officials Endowment Foundation; prior to November 2007, Director of Regulatory Affairs, The Kroger Company, a grocery retailer; Quarter appointment, University of Minnesota – National Center for Food Protection and Defence 2010; President and Founder, Your Food Safety Coach, LLC., 2009 to present.	September 2007
Eric A. Demirian Ontario, Canada	Director, Chairman of Audit Committee, member of Strategic Alternatives Committee	President of Parklea Capital Inc., an independent investment banking and corporate finance firm. Board member and audit committee chairman of Keystone North America Inc., since 2008 and Enghouse Systems Limited since 2005.	May 2005
James F. Billett Ontario, Canada	Director, member of Audit Committee.	President J.F.Billett Holdings Ltd., a financial consulting company. Prior to March 31, 2005 an independent consultant with PricewaterhouseCoopers LLP. Board member and audit committee chairman of Canadian General	May 2009

Name and Municipality of Residence	Office(s) Held	Principal Occupation for Five Preceding Years	Director Since
		Investments, Limited since 2005. Board member and audit committee member of E-1 Financial Corporation Limited since 2007.	
Douglas F. Haslam Ontario, Canada	Director	President, D.F. Haslam Management Limited, a management consulting company	July 2002
Fraser D. Latta Ontario, Canada	Director, member of Compensation and Corporate Governance Committee, Audit Committee and Strategic Alternatives Committee	Private Investor	July 2002
Douglas N. Lunau Ontario, Canada	Director, member of Food Safety and Quality Assurance Committee	Private Investor	July 2002
Paul K. Henderson Ontario, Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer of Menu Foods GenPar Limited(3)	May 2002
Mark A. Wiens Ontario, Canada	Executive Vice-President, Chief Financial Officer and Secretary	Executive Vice-President, Chief Financial Officer and Corporate Secretary, Menu Foods GenPar Limited	--
Douglas S. Haslam Ontario, Canada	Executive Vice-President, Sales and Marketing	Executive Vice-President, Sales and Marketing, Menu Foods GenPar Limited(4)	--
Bernard P. Beaulieu Ontario, Canada	Executive Vice-President, Human Resources	Executive Vice-President, Human Resources, Menu Foods GenPar Limited(5)	--
Steven W. Lindsay Ontario, Canada	Executive Vice-President, Operations	Executive Vice-President, Operations, Menu Foods GenPar Limited(6)	--
Dr. Richard G. Shields Ohio, U.S.A.	Executive Vice-President, Technical Services	Executive Vice-President, Technical Services, Menu Foods GenPar Limited	--

Notes

Each director is to hold office until the next annual meeting or until his successor is elected or appointed.
Each of the above-noted individuals have been engaged for more than five years in his or her present principal occupation or in other capacities with the company or organization (or predecessor) in which the person holds his or her principal occupation except:

(1) Mr. Aird has practiced as a consultant to major enterprises in areas of strategy and governance.
(2) Mr. Demirian served as Executive Vice President of GT Group Telecom Inc. ("GT Inc.") and its operating subsidiary GT Group Telecom Services Inc ("GT Services") from January, 2000 to February, 2003 and a Director of GT Inc from June, 2002 to August, 2002. GT Inc was a publicly traded telecommunications company listed on the TSX and NASDAQ. In June 2002 GT Inc and GT Services made an application under the Company and Creditors Arrangement in Ontario and under Chapter 11 in the United States. In February 2003 GT Services and all of the operations of the company were sold to a competitor and GT Inc underwent bankruptcy proceedings.
(3) Prior to September 2005, President and Chief Operating Officer of GenPar.
(4) Prior to October 2007, Menu's Vice-President of Sales .
(5) Prior to April 2007, Director, Human Resources, Cadbury Adams Canada (A Cadbury Schweppes Company). Prior to August 2004, Director, Human Resources, Church & Dwight Canada.
(6) Prior to November 2009, Vice-President of Operations, Menu Foods Midwest Corporation.

Collective Unit Holdings of Trustees, Directors and Executive Officers

As a group, the Trustees, Directors and executive officers of GenPar beneficially own, directly or indirectly (including direct or indirect ownership by their spouses), a total of 3,575,708 Units and 3,144,279 Special Trust Units.

Governance of the Fund

The board of Trustees of the Fund is responsible for supervising the activities and managing the investments of the Fund. In lieu of a governance committee, the Trustees are directly responsible for developing the Fund's approach to governance issues, filling vacancies among the trustees and periodically reviewing the composition and effectiveness of the Trustees and the contribution of individual Trustees.

The Trustees are also responsible for adopting and periodically reviewing and updating the Fund's written corporate disclosure policy. This policy, among other things:

- articulates the legal obligations of the Fund, its affiliates and their respective trustees, directors, officers and employees with respect to confidential corporate information;
- identifies spokespersons of the Fund, who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- provides guidelines on the disclosure of forward-looking information;
- requires advance review by the Trustees of any disclosure of financial information to ensure the information is not material, and ensure that selective disclosure of material information is not permitted, and that when it occurs, a news release is issued immediately; and
- establishes "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes during which the Fund, its affiliates and their respective trustees, directors and officers may not purchase or sell Units or other securities of the Fund.

The Trustees directly fulfill their responsibilities of overseeing and supervising the Fund by appointing the Audit Committee of GenPar which, in turn, oversees and supervises the Fund's :

- accounting and financial reporting practices and procedures;
- adequacy of internal accounting controls and procedures; and
- quality and integrity of financial statements.

In addition, the Audit Committee of GenPar is responsible for directing the auditor's examination into specific areas.

Committees of GenPar

Compensation and Corporate Governance Committee

The compensation and corporate governance committee of the board of directors of GenPar reviews and makes recommendations to the board concerning the appointment of the chief executive officer of GenPar and the hiring, compensation, benefits and termination of that chief executive officer. The committee, from time to time, as it considers appropriate, reviews with the chief executive officer the practices employed with respect to the hiring and termination, and the determination of compensation and benefits of senior executive officers and all other key employees of GenPar and Menu. The committee annually reviews the chief executive officer's goals and objectives for the upcoming year and provides an appraisal of the chief executive officer's performance. The committee administers and makes recommendations regarding the operation of the long-term incentive plan. The committee is also responsible for developing GenPar's approach to corporate governance issues, advising the board in filling vacancies on the board and periodically reviewing the composition and effectiveness of the board and the contribution of individual directors. The Compensation and Corporate Governance Committee is comprissed of C. Ian Ross, Fraser D. Latta and Alexander R. Aird (Chair).

Audit Committee

Terms of Reference

The following is the text of the Terms of Reference for the Audit Committee of Menu Foods GenPar Limited ("GenPar") as approved by the board of directors of GenPar;

I. PURPOSE

The purpose of the Audit Committee (the "Committee") is to assist each of the board of directors of GenPar and the board of trustees of the Fund (collectively, the "Boards") in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures and the quality and integrity of financial statements. The Committee is also responsible for the audit process.

More specifically, the primary responsibilities of the Committee are to satisfy itself that:

A. The Fund adheres to an appropriate Code of Conduct, approved by the Boards, which sets the tone for acceptable behaviour by directors, management and employees of GenPar.

B. The Fund's annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to the Boards whether the annual financial statements should be approved.

C. The Fund and GenPar have designed, and evaluated for effectiveness, appropriate disclosure controls and procedures which provide reasonable assurance that material information is adequately reflected in the Fund's financial statements and public and regulatory filings.

D. The information contained in the Fund's quarterly financial statements, annual report and other financial publications, such as management's discussion and analysis, is complete and consistent, in all material respects, with the financial statements and to recommend to the Boards whether these materials should be approved.

E. The Fund and GenPar have designed, and evaluated, appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements.

F. The corporate compliance and external audit functions have been effectively carried out and that any matter which the internal or independent auditors wish to bring to the attention of the Committee and/or the Boards has been addressed. The Committee will also recommend to the Boards the re-appointment or appointment of auditors and their remuneration.

II. COMPOSITION AND TERMS OF OFFICE

A. Following each annual meeting of GenPar, the board of directors of GenPar shall appoint not less than three directors to serve on the Committee. Each member shall be independent of GenPar and its affiliates and shall be financially literate. An appropriate orientation program shall be developed for new members.

B. The chair of the Committee shall be appointed by the board of directors of GenPar from among the Committee members.

C. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of GenPar. Each member of the Committee shall hold office until the close of the next annual meeting of GenPar or until the member resigns or is replaced whichever first occurs. The performance of each member shall be assessed bi-annually by the Compensation and Corporate Governance Committee, in consultation with the Chair of the Committee.

D. The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of, among other things, the interim and annual financial statements, including the associated management's discussion and analysis; the annual external audit plan, including compensation; disclosure controls and procedures and internal controls. Additional meetings may be held as deemed necessary by the chair of the Committee or as requested by any member of the Committee or by the internal or external auditors. The overall performance of the Committee shall be assessed bi-annually by the Compensation and Corporate Governance Committee.

E. If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

F. A quorum for the transaction of business at all meetings of the Committee shall be a majority of the members of the Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present, and in case of an equality of votes the Chair of the Committee shall have a second casting vote.

G. The Committee may invite such directors, officers and employees of GenPar as it may see fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of the business of the Committee, but without voting rights.

H. The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.

I. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Committee.

J. The Committee shall choose as its secretary such person as it deems appropriate.

K. The internal and external auditors shall be given notice of, and have the right to appear before and to be heard at, every meeting of the Committee, and shall appear before the Committee when requested to do so by the Committee.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Boards, the Boards hereby delegate to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Boards:

A. Financial Reporting Control Systems

The Committee shall:

(i) review reports from senior officers of GenPar outlining any significant changes in financial risks facing GenPar and the Fund;

(ii) review reports from senior officers of GenPar outlining any changes that are made to internal control procedures;

(iii) review the management letter of the external auditors and GenPar's responses to suggestions made;

(iv) annually review, and amend as appropriate, the terms of reference of the Committee;

(v) review any proposed new appointments to senior positions of GenPar with financial reporting responsibilities;

(vi) review any critical judgments and estimates made by GenPar in day-to-day operations of the Fund;

(vii) obtain assurance from management regarding the overall control environment and the adequacy of accounting system controls; and

(viii) review the risk management programs and policies as developed by management of GenPar and the Fund.

B. Interim and Annual Financial Statements and Other Financial Information

The Committee shall:

(i) review any significant financial reporting issues and judgments made in the preparation of the financial statements and any changes in accounting policies or financial reporting requirements that may affect the current or future year's financial statements;

(ii) review all critical accounting policies and practices applied;

(iii) obtain summaries of significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration;

(iv) obtain draft annual and interim financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers of GenPar;

(v) review a summary provided by GenPar's management of the status of any material pending or threatened litigation, claims and assessments;

(vi) review a summary provided by GenPar's management of any current regulatory issues and their (potential) impact on the operations of the Fund;

(vii) discuss the financial statements and the auditors' report thereon in detail with officers of GenPar and the auditors;

(viii) review the annual audited financial statements and interim financial statements and other accompanying financial reporting documents including management's discussion and analysis and earnings press releases and make recommendations to the Boards as to their approval;

(ix) establish procedures for the review of disclosures of financial information extracted or derived from the financial statements; and

(x) review insurance coverage including directors' and officers' liability coverage.

C. External Audit Terms of Reference, Reports, Planning and Appointment

The Committee shall:

(i) oversee the work of the external auditor, including the resolution of any disagreements between GenPar's management and the external auditor regarding financial reporting;

(ii) ensure that the external auditor explicitly acknowledges that they are ultimately accountable to the Boards and the Committee as representatives of the unitholders;

(iii) review the audit plan with the external auditors;

(iv) specify its expectations of the external auditors, including the expected relationship between the external auditors and the Committee;

(v) discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters, including:

- the quality (not only acceptability) of the accounting principles that have been applied;
- the quality of internal controls;
- the appropriateness of judgments and estimates made by GenPar's management;
- the appropriateness of financial statement disclosures; and
- any other matters the external auditors may wish to bring to the attention of the Committee

(vi) recommend to the Boards each year the retention or replacement of the external auditors. This process shall include establishment of criteria for and an ongoing assessment of the continued independence of the external auditor. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition;

(vii) annually review and recommend for approval to the Boards the terms of engagement and the remuneration of the external auditor;

(viii) review and recommend for approval by the Boards the extent to which the Fund's auditors can provide non-audit services to the Fund, including the nature and scope of such services;

(ix) adopt policies and procedures for the pre-approval of the retention of the external auditors for all non-audit services, including policies and procedures for the delegation of authority to provide such approval to one or more members of the Audit Committee; and

(x) review and approve the hiring policies regarding partners, employees and former partners and employees of the external auditor.

D. Corporate Compliance Department Reports and Planning

The Committee shall:

(i) approve the terms of reference of the corporate compliance function;
(ii) periodically and at least annually review the summary report of the corporate compliance function for the period since the last report;
(iii) annually review and approve planned activities and resources of the corporate compliance function for the coming year;
(iv) discuss in private with the CFO or their designate, matters affecting the conduct of corporate compliance activities; and
(v) assess the adequacy, qualifications and abilities of members of the corporate compliance function and concur in the appointment, replacement, reassignment or dismissal of the manager responsible for this function.

E. Other Matters

The Committee shall:

(i) ensure that the Fund adheres to an appropriate Code of Conduct, approved by the Boards, which sets out acceptable behaviour by GenPar management and employees; and

(ii) oversee the process for dealing with complaints regarding accounting, internal accounting controls, or accounting matters, and for the confidential, anonymous submission by employees of concerns regarding such matters ("whistle-blowing"). Ensure that the existence of the whistle-blowing process is effectively communicated to employees.

IV. ACCOUNTABILITY

A. The Committee shall report to each of the Boards at their next regular meeting all such action it has taken since the previous report.

B. The Committee is empowered to investigate any activity of GenPar and all employees are to co-operate as requested by the Committee. The Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.

C. The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external auditors, senior management, corporate compliance function, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of GenPar.

D. In discharging its mandate, the Audit Committee shall have the authority to retain (and authorize payment by GenPar of) and receive advice from special legal, accounting or other advisors as the Audit Committee determines necessary to permit it to carry out its duties.

Composition of the Audit Committee

The Audit Committee consists of Mr. Demirian, Mr. Latta, Mr. Billett and Mr. Ross each of whom is independent and financially literate as defined under Multilateral Instrument 52-110 - Audit Committee.

Relevant Education and Experience

Mr. Demirian is a Chartered Accountant, a Certified General Accountant and a former partner of PricewaterhouseCoopers LLP. He is a member of the User Advisory Committee to the Accounting Standards Board of the Canadian Institute of Chartered Accountants. He is also the President of Parklea Capital Inc., an independent investment banking and corporate finance firm.

Mr. Latta is a graduate of the Ivey Business School and has been active on several boards of directors. He has held several senior positions, including Chief Operating Officer and Vice-Chairman of the Board of Cott Corporation (until October 2001).

Mr. Billett is a Chartered Accountant and a former partner of PricewaterhouseCoopers LLP. He serves on the audit committee of E-1 Financial Corporation Limited and as audit committee chair for Canadian General Investments, Limited. Mr. Billett holds a Bachelor of Commerce degree from the University of Toronto.

Mr. Ross is a former CFO and CEO of public and private companies. Mr. Ross is the Chair of GrowthWorks Canadian Fund Ltd., and the former Senior Director of Administration in the Dean's Office of the Richard Ivey School of Business, University of Western Ontario. Mr. Ross holds a Bachelor of Arts degree from the University of Western Ontario, an LLB from the University of Toronto and is a member of the Law Society of Upper Canada.

Pre-Approval Policies and Procedures

Following is the text of the Procedures for Approval of Audit and Non-Audit Services by the External Auditors;

I. Audit Committee Pre-Approval of Services

In accordance with the requirements of securities regulations to which Menu is subject and to safeguard the continued independence of its external auditors, all audit and non-audit services to be rendered by Menu's external auditors and any related entities (the "Auditors") to the Fund, its subsidiaries and any material related companies over which the Fund exercises significant influence must be the subject of pre-approval by the Audit Committee of the Board.

Such pre-approval shall be based on the following detailed policies and procedures established by the Audit Committee.

The Auditors are not permitted to act in any capacity where they could reasonably be seen to:

- function in the role of the management;
- audit their own work; or
- serve in an advocacy role on behalf of Menu

Except as otherwise permitted and pre-approved, the Auditors may not be asked to provide any services in the following areas (in each case as more fully defined in applicable corporate and securities regulations or the regulations and guidelines of the appropriate oversight authorities governing the accounting and auditing profession):

- Bookkeeping and related functions;
- Financial information systems design and implementation;
- Appraisal, valuation, fairness opinions or contribution-in-kind reports;
- Actuarial services;
- Internal audit outsourcing;
- Management functions and human resources functions;
- Broker-dealer, investment advisor or investment banking services;
- Legal services; and
- Expert services.

The engagement for the annual audit of the Fund's consolidated financial statements is specifically approved on an annual basis by the execution of the audit engagement letter with the Auditors. Engagements of the Auditors involving services for any of the Fund entities that fall into the following service definitions are pre-approved by the Audit Committee:

Type of Service	Description
AUDIT SERVICES	
Financial statement audit	Recurring audit of consolidated financial statements including subsidiary company and statutory audits and tax services and accounting consultations required to perform an audit in accordance with Generally Accepted Auditing Standards. Quarterly reviews. Review of tax provision reported in the consolidated and other financial statements. Review of complex accounting issues in order to reach an audit judgment.
Regulatory financial filings	Services relating filings with the Ontario Securities Commissions including issuance of comfort letters. Statutory and regulatory filings including prospectuses and registration statements.
Bill-198 attestation services	Attestation services relating to the report on the entity's internal controls as specified in Bill-198 of the Budget Measure Act and any similar requirements that may be introduced under Canadian legislation/regulations.
AUDIT RELATED SERVICES	
Employee benefit plan audits	Audit of pension and other employee benefit plans and Company's.
Financial due diligence in connection with acquisitions and	Assistance in financial and tax due diligence, including review of financial statements, financial data and records, tax returns, tax forms and tax filings, discussion with target's finance and accounting personnel. Accounting consultation and audits in connection with acquisitions and divestitures.

Type of Service	Description
divestitures	
Other attest services	Attest services that are not required by statute or regulation.
Application and general control reviews	Review of IT and general controls related to specific applications, including overall general computer controls, excluding those that are a part of the financial statement audit.
Consultation regarding GAAP	Discussions, review and testing of impact of new pronouncements, acquisition accounting, and other GAAP topics.
TAX SERVICES	
Tax compliance	Preparation and/or review of income, capital, sales, use, property, excise, local, value added (VAT) and GST tax returns, filings and forms. Consultation regarding handling of items for tax returns, required disclosures, elections, and filing positions available.
Tax consulting	Assistance with tax audits, examinations or requests for information. Responding to requests regarding technical interpretations, applicable laws and regulations, and tax accounting. Tax advice on mergers, acquisitions, restructurings, financings, inter-company transactions, foreign tax credits, foreign income tax, tax accounting, foreign earnings and profits, capital tax, sales tax, use tax, property tax, the treatment in any jurisdiction of foreign subsidiary income, VAT, GST, excise tax or equivalent taxes in the jurisdiction. Assistance with tax appeals that are not in front of a tax court or its equivalent. Advice regarding tax legislation or codes including interpretations, procedures and advance tax rulings or private letter rulings thereof, or their equivalent, in applicable jurisdictions in the following areas: income, capital, sales, use, property, excise, local, value added (VAT) and GST taxes.
Transfer pricing	Advice and assistance with respect to transfer pricing matters, including preparation of reports used by the Company to comply with taxing authority documentation requirements regarding royalties, services and inter-company pricing and assistance with tax exemptions.
Customs and duties	Compliance reviews and advice on compliance in the areas of tariffs and classification, origin, pricing, and documentation. Assistance with customs audits or requests for information.
Expatriate tax services	Preparation of individual income tax returns, advice on impact of changes in local tax laws and consequences of changes in compensation programs or practices. Compliance and advice in relation to benefits and compensation, stock options, and tax equalization policies.
OTHER SERVICES	
Valuation	Valuation services for non-financial reporting in connection with tax-only valuations and valuation services to review and comment on tax-related valuations prepared by the Company or third parties.
Other	Fact finding services and forensic investigations under the supervision of the audit committee; environmental audits; non-financial systems design and implementation.

The general pre-approval of the range of services covered under this paragraph will be brought to the Audit Committee for review and, if thought appropriate, renewal on an annual basis.

Management and/or the Auditors will seek pre-approval by the Audit Committee of the engagement of the Auditors to provide particular services in certain cases.

Where particular pre-approval is required, the Audit Committee has delegated the authority to effect such pre-approval to the Chairman of the Committee.

Under no circumstances may the Audit Committee delegate its responsibilities to management.

For greater certainty, if an engagement with the Auditors for a particular service is contemplated that is neither prohibited prescribed, nor covered under the range of services prescribed, in order for such engagement to proceed it must be the subject of individual pre-approval under this paragraph.

It is the responsibility of management to determine whether a particular service is covered by the pre-approved range of services. Management should seek the guidance of the audit committee chair where there is any ambiguity about whether a particular service is pre-approved.

Pre-approved non-audit services are to be provided by the Auditors pursuant to an engagement letter with the appropriate Company entity that satisfies each of the following requirements:

1. the engagement letter shall be in writing and signed by the Auditors; and

1. the engagement letter shall set out the particular non-audit services to be provided by the Auditors which, unless individually pre-approved, shall be within the categories of prescribed pre-approved non-audit services.

II. Reports of services to the Audit Committee

At every regularly-scheduled meeting of the Audit Committee, management shall report on all new pre-approved engagements of the Auditors since the last such report. The Auditors may comment on the report if they wish to do so. All engagement letters entered into pursuant hereto shall be made available to the Audit Committee upon demand.

External Auditor Service Fees

The aggregate of fees billed by PricewaterhouseCoopers LLP ("PwC"), the Fund's external auditor, for various audit-related and non-audit services rendered for the fiscal years 2009 and 2008 were as follows:

Audit fees – The aggregate fees billed by PwC for professional services rendered for the annual audit and quarterly reviews of the Fund's consolidated financial statements were $487,040 for fiscal 2009 and $523,094 for fiscal 2008.

Audit-Related fees – The aggregate fees billed by PwC for professional services rendered for the assurance and related services were $112,423 for fiscal 2009 and $166,940 for fiscal 2008.

Tax fees – The aggregate fees billed by PwC for professional services rendered for tax compliance, tax advice, and tax planning were $282,405 for fiscal 2009 and $420,817 for fiscal 2008. Fees included services relating to domestic and international taxation and transfer price studies.

Food Safety and Quality Assurance Committee

Terms of Reference

Following is the text of the Terms of Reference for the Food Safety and Quality Assurance Committee of GenPar as approved by the board of directors of GenPar;

I. PURPOSE

The purpose of the Food Safety and Quality Assurance Committee of the Board of Directors of GenPar (the "**Committee**") is to assist the board of directors of GenPar (the "GenPar Board") in its general oversight of matters relating to food safety and related regulatory matters.

II. DUTIES AND RESPONSIBILITIES

The GenPar Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the GenPar Board:

Food Safety Governance:

The Committee shall be responsible for oversight of major food safety risks and control processes, together with compliance related company policies and associated regulatory requirements. Specifically, the Committee shall:

i. periodically review with GenPar's senior management and with Menu Foods' quality control and regulatory compliance personnel Menu Foods' food safety, quality assurance and regulatory compliance practices and procedures, addressing matters such as qualification of suppliers, reducing the possibility of cross contamination of products, and training of personnel, including, without limitation, periodic review of:

   a) food safety risk management programs and policies as developed by management;

   b) descriptions prepared by management concerning any then current food safety issues and their potential impact on the operations of the Fund;

   c) reports from senior management outlining any significant changes in food safety risks facing the Fund;

   d) reports from senior officers of GenPar outlining any changes that are made to internal quality assurance procedures; and

   e) reporting systems to ensure compliance with legal and regulatory requirements as related to the manufacture and pet food;

   f) reports re compliance with applicable regulatory requirements;

ii. meet with management from time to time to review the Company's major areas of quality and regulatory risk exposure and the steps management has taken to control those risks, and obtain assurance from management regarding the overall control environment and the adequacy of the quality systems and processes;

iii. review the experience and qualifications of the Company's senior quality assurance and regulatory compliance personnel from time to time and any proposed new appointments to senior positions of GenPar with quality or regulatory responsibilities;

iv. receive and review reports and/or recommendations of any and all third party consultants in respect of food safety, quality assurance policies, procedures, manufacturing practices, and regulatory compliance, and oversee and monitor implementation of such recommendations;

v. generally oversee Menu Foods' implementation of quality assurance commitments provided to third parties; and

vi. oversee the process for dealing with food safety related complaints through the confidential, anonymous submission by employees of concerns regarding such matters ("EthicsPoint"). Ensure that the existence of the "whistle-blowing" process is effectively communicated to employees.

vii. encourage and monitor the Company's participation in the food safety, quality assurance and regulatory compliance initiatives of relevant groups, including the Pet Food Institute.

The Committee shall annually review, and recommend to the board of directors of GenPar any amendments it believes are required or appropriate to, these terms of reference.

III. COMPOSITION AND TERMS OF OFFICE

A. Following each annual general meeting of GenPar, the GenPar Board shall appoint not less than three directors to serve on the Committee. The elected members shall be independent directors and to the extent possible shall have an appreciation for food safety and quality assurance. An appropriate orientation program shall be developed for new members.

B. The Chair of the Committee shall be appointed by the GenPar Board from among the Committee members.

C. Any member of the Committee may be removed or replaced at any time by the GenPar Board and shall cease to be a member upon ceasing to be a director of GenPar. Each member of the Committee shall hold office until the close of the next annual general meeting of GenPar or until the member resigns or is replaced, whichever occurs first. The overall performance of each member of the Committee and of the Committee as a whole shall be assessed annually by the Corporate Governance Committee, in consultation with the Chair of the Committee.

D. The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of, among other things, the quality audits, including any reports of the outside quality consultant appointed by the Committee. Additional meetings may be held as deemed necessary by the Chair of the Committee or as requested by any member of the Committee or by the head of the Company Wide Compliance group or external auditors.

E. If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

F. A quorum for the transaction of business at all meetings of the Committee shall be a majority of the members of the Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present, and in case of an equality of votes the Chair of the Committee shall have a second casting vote.

G. The Committee may invite such directors, officers and employees of GenPar, or any other guest as it may see fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of the business of the Committee, but without voting rights.

H. The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the GenPar Board may, from time to time, require.

I. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Committee.

J. From time to time the Committee shall choose as its secretary such person as it deems appropriate.

IV. ACCOUNTABILITY

A. The Committee shall report to the GenPar Board at their next regular meeting all such action it has taken since the previous report.

B. The Committee is empowered to investigate any activity of GenPar and all employees are to co-operate as requested by the Committee. The Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.

C. The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external auditors, senior management, Company Wide Compliance, legal counsel, an outside quality consultant or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of GenPar.

D. In discharging its mandate, the Committee shall have the authority to retain (and authorize payment by GenPar of) and receive advice from legal or other advisors as the Committee determines necessary to permit it to carry out its duties.

Composition of the Food Safety and Quality Assurance Committee

The Food Safety and Quality Assurance Committee is comprised of Mr. Prince (Chair), Mr. Ross and Mr. Lunau.

Strategic Alternatives Committee

Terms of Reference

This committee was struck at the meeting of the board of directors held February 13, 2008. Following is the text of the mandate of this committee which was updated on March 16, 2010:

1. The Strategic Alternatives Committee (the “Committee”) shall:
    a. identify and consider strategic alternatives potentially available to Menu Foods Income Fund (the “Fund”) to maximize unitholder value (the “Strategic Process”) and provide feedback to the board of Menu Foods GenPar Limited (“GenPar” or the “Company”) on its findings; and
    b. be responsible for overseeing and supervising the conduct of all communications and other dealings with all regulatory authorities, law enforcement agencies and prosecutorial authorities (collectively, the “Regulatory Authorities”) relating to the contamination of certain products manufactured by the Company and certain of its affiliates, the recalls of contaminated products and related matters, including strategies and approaches for dealing with and making disclosure to the Regulatory Authorities.

2. In carrying out its responsibilities, the Committee shall:
    a. with respect to its responsibilities under 1(b) above, consult and coordinate its activities (both directly and through its professional advisors) with management and the professional advisors of the Company; and
    b. be subject to the ultimate authority of the board and keep the board informed of its deliberations and activities.

3. The Committee shall establish its own procedures, including

    a. the appointment of a secretary;

    b. the establishment of a quorum for meetings;

    c. the time and place of meetings; and

    d. such other procedures as it considers necessary or advisable, it being understood that the Chairman will have no extraordinary powers and no second or casting vote.

    In circumstances where it is not practicable to call a meeting of the Committee in the context of the foregoing, the Chair shall continue to be authorized to act on behalf of the full committee (provided that he updates the committee on such matters as soon as practicable).

Unless the Committee determines otherwise, the procedures applicable to other committees of the board shall apply to the Committee.

4. The Committee is authorized and directed to take such acts and do such things as the members of the Committee believe, in the exercise of their business judgment, are reasonably necessary or appropriate in connection with the Strategic Process, subject to paragraph 2 above, including to:

    a. oversee, supervise and interact with the financial, legal, communication and other advisors to the board or the Company with respect to all aspects of the Strategic Process;

    b. receive, review and consider any correspondence or other communications received by the Company from any person relating to the Strategic Process;

    c. review and approve, prior to its release, all proposed public disclosure relating to the Strategic Process;

    d. engage, at the expense of the Company such professional advisors as the Committee considers appropriate, including legal, finance and, if necessary or advisable, accounting advisors; and

    e. authorize and direct senior management of the Company with respect to actions on the part of the Company or the Fund that are necessary or advisable for the proper performance by the Committee of its responsibilities under this resolution, including the execution on behalf of the Company of necessary or advisable documents and agreements (such as compensation and indemnification agreements with professional advisors).

5. Recognizing the increased demands that will be placed upon the members of the Committee pursuant, the Chairman and the members of the Committee shall be compensated in an amount or amounts determined by the Board from time to time.

Composition of the Strategic Alternatives Committee

The Strategic Alternatives Committee consists of Mr. Ross (Chair), Mr. Haslam, Mr. Latta and Mr. Demirian.

ADMINISTRATION AGREEMENT

The Fund, MFOT, GenPar and MFLP entered into the Administration Agreement on May 22, 2002. Under the terms of the Administration Agreement, GenPar has agreed to provide (for no additional compensation, other than the payment by MFLP of out-of-pocket expenses incurred for the provision of such services) administrative and support services to the Fund, including, without limitation, those necessary to: (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders all information with respect to income taxes; (iv) call and hold meetings of Unitholders and holders of Special Trust Units and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of distributions to Unitholders; (vi) attend to all administrative and other matters arising in connection with any redemption of Units, units of MFOT and notes of MFOT; and (vii) ensure compliance with the Fund's limitations on non-resident ownership.

The Administration Agreement terminates on termination of the Fund, unless terminated at an earlier time in accordance with its provisions. The 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 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.

LEGAL PROCEEDINGS

Lawsuits have been initiated against the Fund and certain of its subsidiaries in the United States and in Canada, which seek to recover damages on behalf of the named plaintiffs and a purported class of pet owners. On October 14, 2008, the U.S. Court issued an oral order giving final approval of the settlement agreement which consolidated over 100 of the class action product liability civil suits commenced. On November 3, 2008 there was a simultaneous hearing for final approval in the various Canadian courts. Formal final approval of the U.S. Court was given on November 17, 2008 and final approval of the Canadian courts was provided on November 27, 2008. Two appeals have been filed from the order of the U.S. Court approving the settlement agreement. It is uncertain how long these appeals will take to resolve. No appeals have been filed in Canada and the time for filing an appeal has passed. However, the settlement agreement requires the appeals in the United States to be finally determined prior to any payments to claimants, and therefore settlement payments to pet owners in both the United States and Canada will be delayed until the appeals have been resolved. The settlement agreement would resolve more than 100 class action lawsuits filed in the U.S. and Canadian courts and is binding on all members of the settlement class, except for the 114 individuals who have validly opted out of the settlement and who thereby retain their claims against one or more of the defendants, including Menu.

The settlement agreement created a settlement fund of US$24 million that will allow a potential recovery of up to 100% of all economic damages incurred by pet owners, subject to certain limitations. The settlement fund, administered by a neutral claims administrator, will be available to persons in the United States and Canada who purchased or obtained, or whose pets used or consumed, recalled pet food and who appropriately filed claims to that affect. Pursuant to the settlement agreement, the settlement fund is funded by the defendants, including the Fund and its product liability insurer. The Fund's corporate contribution to the settlement is within its previously recorded recall provision of $55 million.

Other actions and investigations remain outstanding, and it is possible that additional actions or investigations may arise in the future. The U.S. Food and Drug Administration is conducting an investigation into the situation. The United States Attorney for the Western District of Missouri, based in Kansas City, has informed Menu that it is the target of a criminal investigation for possible violations of the U.S. Federal Food, Drug and Cosmetic Act. It is possible that additional actions or investigations may arise in the future. The Fund may be required to expend significant amounts and to devote considerable management time to these matters. It is not possible to predict the amount of such expenses, the resolution of such claims or investigations, or the extent to which these items will be paid by insurance.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein, the Trustees are not aware of any material interest of any Trustee, director, officer or employee of the Fund or any of its subsidiaries, nor any associate or affiliate of the foregoing persons, direct or indirect, by way of beneficial ownership or otherwise, in any transaction during the three most recently completed financial years or in any proposed transaction that has materially affected or would materially affect the Fund.

INTEREST OF EXPERTS

The Fund’s auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors’ report dated February 17, 2010 in respect of the Fund’s consolidated financial statements with accompanying notes as at and for the years ended December 31, 2009 and 2008. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc. at its principal offices in Toronto, Ontario, Canada is the transfer agent and registrar for the Units.

MATERIAL CONTRACTS

- the Declaration of Trust referred to under “Description of the Fund”;
- the MFOT Note Indenture referred to under “General Development of the Business”;
- the MFOT Trust Indenture referred to under “Redemption at the Option of Unitholders”;
- the Administration Agreement referred to under “Administration Agreement”; and
- the Credit Facilities referred to under “Risks Related to the Business and the Industry”.

ADDITIONAL INFORMATION

Additional information, including trustees’, directors’ and officers’ remuneration and indebtedness, principal holders of the Fund’s securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular sent to the Fund’s Unitholders and Special Unitholders on March 29, 2010 in connection with the Fund’s annual meeting of Unitholders and Special Unitholders to be held on May 13, 2010.

Additional financial information is provided in the Fund’s consolidated financial statements for the year ended December 31, 2009 contained in the Annual Report. A copy of any such document and additional information relating to the Fund may be found on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.