

BFI Canada Income Fund Annual Meeting

May 15, 2007

Keith Carrigan

Good afternoon everyone. It's always a pleasure to see our owners and other stakeholders and I thank you very much for your support and interest in BFI Canada Income Fund.

Annual meetings, in days gone by, were considered a time to reflect on the past.

However, in today's world, most of us are far more interested in focusing on the "here and now", and the future, rather than the events of the past.

In this spirit, I want to begin today with some highlights of BFI Canada's first quarter performance for 2007, which we released just before today's meeting, making it very timely.

After I provide a quick overview of these results, I'll follow tradition by accounting for past performance before looking ahead to what I believe is a very exciting future for BFI Canada.

Tom Cowee will then discuss in more detail the results of the quarter and the year that has just passed.

So let's get to it.

For the three months ended March 31st, 2007 consolidated revenues increased 13.1% period over period, or 23.4 million dollars, to total 202.3 million dollars.

11.3 million dollars of this growth came organically; with another 8.6 million from acquisition. The balance of the revenue growth came from foreign exchange and fuel and environmental surcharges.

To editorialize for a moment, the rate of organic growth we've achieved over the past few years has made BFI Canada one of the growth leaders among the large companies in our industry.

Organic growth in Canada was almost 10% in the first quarter and was 4.4% in the US. We achieved this despite experiencing a decrease in volumes at some of our landfills and our transfer stations due to poor winter weather conditions compared to the same period a year ago. We expect these volumes to return during the balance of the year.

Still, on a consolidated basis, our organic growth of 7.4% exceeded the industry average. And our collection operations continued to deliver double-digit growth in the quarter.

We attribute this performance to the same factors that have driven past results: a widening customer base, higher route density, the engagement of our people who creatively employ our market-focused strategies and the value of the processes we use to capitalize on our vertically integrated assets.

This strong revenue performance delivered a 16.1% increase in EBITDA, which came in at 58.7 million dollars, 8.1 million dollars higher than a year ago.

I won't spoil all of Tom's financial analysis, but I will tell you the bottom line numbers for Q1.

- free cash flow available for distribution increased 8.3% or 2.5 million dollars to 33.1 million – that's 51 cents per unit compared to 47 cents per unit a year ago
- aggregate distributions declared, in turn, improved to 29.6 million dollars or 45 cents per unit, up from 27.8 million dollars or 42 cents a year ago

Despite this growth, the Fund's payout ratio was 89.5%, below our long-term annual target of 90% -- and on this measure, we like to be below the mark, not above. As a reminder, our payout ratio does tend to be higher in the first quarter of each year because of the impact of seasonality on revenues and EBITDA and the timing of maintenance expenditures.

So the more important measure is our cumulative ratio, which inclusive of the first quarter, now stands at a healthy 84.7% since the Fund's inception.

I'll let Tom put this performance in more context, but we are proud of what we have been able to achieve for our unitholders, and I hope you will agree, growth momentum remains strong.

[pause]

Growth and momentum are, in fact, two of BFI Canada's "defining characteristics" – the things we have become known for.

These descriptors are not a matter of happenstance. We built our business to perform at a high level for our owners and our customers.

As we communicated in our annual report for 2006, our performance has a lot to do with **People, Process and Assets**.

Many companies can – and do – credit these same important themes to the success of their businesses.

Where we believe we differ from others, is that we see a special relationship between all three.

Our employees understand that they perform best when they employ our market-focused strategies, our processes and our assets in concert to drive the key metrics or “determinants” of our success.

I won't go into detail regarding these metrics. But I think it's important for you to know that we have a well-established methodology, we understand what drives performance, and we have proven this over successive years. We are very disciplined regarding deployment of this process in driving our day-to-day operations.

This brings me to the middle of my presentation, and a brief check in the rear view mirror of performance.

Although this is old news, I feel it's important to take a couple of minutes to recap 2006 given that this is an annual meeting and that in our case, we believe the past is prologue.

Thanks to our people, process and assets, BFI Canada delivered benchmark performance last year.

Revenues reached \$771.8 million dollars, an increase of 13.9% over 2005.

I think this qualifies BFI Canada as a certifiable "growth company," as does the fact that in 2006, growth was achieved in every region and in every single business segment.

Last year, we really hit stride with our strategies, and in particular, enjoyed more of the benefits of our transfer of best practices between our operating segments.

Growth in 2006 also had a very healthy internal, or, organic component.

In our Canadian segment, organic revenue growth was 12.9%, while in our U.S. segments it was 10.7% over 2005. We believe that this is very rapid growth and, amongst our peers, is industry-leading.

We also completed 12 tuck-in acquisitions last year for 33.6 million dollars and these additions made good contributions to our financial success in 2006.

For some companies, 12 acquisitions sounds like a lot. It wasn't for us.

Not only is our ability to integrate more assets larger than this, our appetite was bigger due to our desire to achieve improving asset combinations that lead to higher route densities and better asset utilization.

Having said that, we do like the assets we acquired last year and are pleased with their contributions to the company's performance.

Moving on, EBITDA was \$235.9 million dollars, 14.5% higher than 2005. In context, we have achieved higher EBITDA in every year since founding BFI Canada – and our annual compound growth rate of EBITDA since inception of the Fund now stands at more than 46%.

Free cash flow available for distribution was \$142.0 million dollars, surpassing last year by 17.5%.

In recognition of this performance, our Trustees authorized a 7.1% increase in distributions in August of last year – the fifth such increase since the Fund’s inception – which brings our annualized distributions to \$1.818 per unit.

Despite this increase, our payout ratio declined to 80.5% for the year.

To summarize, I would say that 2006 was a great year from a financial perspective.

However, what wasn’t great was the government’s proposal to impose a tax on income trusts beginning in 2011.

I no longer feel it useful to indicate our disappointment and frustration about this proposal. It’s been made and although the bill has not been passed into law, we’re going to assume it will be, and move on.

That said, you may wonder what moving on means?

And that brings me to the most interesting topic of all – our future.

As we look ahead, I think the value we deliver to our owners and customers as a business is more important than the corporate structure we choose for BFI Canada.

However, if the delivery of that value is impeded or diminished by the structure, something must be done.

Our view is that we must have free and unfettered access to a broad capital market.

That's what the income trust market represented to us since 2002 and we've made the most of our participation in the sector, as evidenced by our winning Business Trust of the Year in both 2004 and 2006.

We need breadth and certainty in the capital markets because with these attributes, we get the proper credit for our potential.

Without that, our cost of capital is higher and the economics of acquisitions and fundraising become less attractive. Which, we believe, is a key element of our future success and driver of value.

I should make mention that we did successfully access the capital markets with a 93 million dollar offering of our trust units that closed on

April 5 – an offering that was oversubscribed and demonstrated support in the market for our units and for our company.

But the fact of the matter remains the same: we are not willing to change our business model to “fit” the government’s view of trusts or the limitations it wishes to put on growth, because growth remains an integral part of our model.

The bottom line? We continue to review all of the options available to us – and as a high performance business in a well recognized industry, there are many avenues open to us.

But at the same time, I think it’s valuable for you to know that we remain committed to our goal of generating value and we are acting on a “business as usual basis” in 2007 – as demonstrated by our growth in the first quarter.

So what does business as usual mean for the remainder of the year and beyond?

It means, first and foremost, that we will continue to focus on improving organic growth performance and pursuing an aggressive acquisition strategy.

To achieve organic improvement in 2007, we will seek new customers, increase route density in our existing markets and renew contracts at our traditionally high level.

We will also continue to reinvest in our business to support future growth.

This year, our maintenance expenditure plan calls for spending of between \$18 and \$20 million Canadian dollars for our Canadian operations and between \$31 million and \$33 million US dollars for our US operations.

We aren't in the habit of predicting the future, but we feel confident in publishing these numbers because, as you may know, maintenance capex is very predictable for our type of business on an annual basis.

That's important to know, but the key message is that we are planning to spend with confidence to ensure our people have the assets and tools they need to perform efficiently.

We also see many opportunities ahead for strategic acquisitions that will create value for our unitholders. In 2006, we expanded our M&A team

and this should allow us to apply the intensity to our acquisition strategy we think is necessary and appropriate.

As always, we are focused on tuck-ins and platform acquisitions. Tuck-ins are smaller businesses or assets that will literally tuck in to our existing platforms to drive productivity and a host of other important metrics.

Platforms are typically bigger businesses or asset combinations that allow us to enter a new market, or enlarge and significantly strengthen the synergies we have in an existing market and deploy our market-focused strategies.

Both forms of acquisition are part of our strategy. And as you will hear Tom say, we have added 4 tuck-in acquisitions to date in 2007.

In terms of our outlook, industry fundamentals remain positive. The waste management industry is clearly in growth mode. Waste Business Journal published a research report last week that estimates the industry in the U.S. is on track to exceed \$60 billion in business per year by 2010, up from \$52 billion today.

You may recall that in the year 2000, experts estimated the size of the U.S. market at roughly 40 billion dollars. That's a 50% increase in just ten years.

Pricing remains strong in most of the markets we operate in. We believe the poorer winter weather conditions of the first quarter subsided as we entered the second quarter and we expect to recover the landfill and transfer volumes during the balance of the year.

Regardless, we believe that we are well-positioned to continue running effective price and volume strategies in our markets to enhance productivity, margins and returns.

We have a number of aggressive quantitative and qualitative goals to meet and we think we're well positioned to meet them by staying true to our three principles:

- hire experienced people and empower them to manage smartly from the bottom up
- consistently engage our market-focused management processes,
- and build and leverage the right combination of assets.

In short, people, process and assets.

I'm excited about the future for BFI Canada and I believe our employees are too, because they understand our key strengths:

- we are one of North America's largest non-hazardous solid waste management companies with more than 1.2 million customers in 54 markets
- we have long-term customer contracts
- we have a sound financial position, recently fortified with a successful \$93 million dollar secondary offering of units
- we have modern, efficient, integrated assets, and
- we have a solid record of environmental performance

We pledge to use these key strengths wisely and well for you in 2007. In total, we expect this to be a year of ongoing improvement for our business in all markets.

I would like to thank all of our employees for contributing to our success in 2006 and for their continued efforts this year. We have process and we have assets, but without our people, we would not be successful. We depend on them to make good decisions using our management process every day and they don't let us down.

Tom Cowee

Good afternoon.

As Keith mentioned, we reported our first quarter results earlier today and I will comment on those in more detail in a few minutes. First, I would like to provide a brief review of our performance in 2006.

On all of our key metrics, we had a benchmark year. We achieved growth in every business segment through organic improvement and contributions from 12 “tuck-in” acquisitions.

As Keith has provided an overview of our top-line performance, I will recap our other performance measures during the year.

Operating expenses increased 53.1 million dollars to 436.3 million. The increase in operating expenses was attributable to the collection and acceptance of additional waste volumes and higher costs to service new and existing customers, contracts, and acquisitions.

In 2006, operating expenses as a percentage of revenue were 56.5%. In 2005, operating expenses as a percentage of revenue were 56.6%.

The year-over-year improvement is a testament that we are growing our company profitably.

We have done a good job historically of managing operating expenses in the context of revenue growth, and this will continue to be a focus going forward.

In 2006, SG&A expenses were higher by 11.4 million dollars over 2005. This increase was a result of higher total salaries from the organic and acquisition growth we experienced, coupled with additional sales efforts and an increased contribution to our long-term incentive plan. As a percentage of revenue, SG&A expenses remain unchanged year over year at 12.9% of revenue.

In 2006, EBITDA was 235.9 million dollars, 14.5% higher than 2005, thanks to a combination of contributions from acquisitions and internal growth.

Our EBITDA margins led the solid waste industry in 2006 at 30.6%.

In 2006, we continued to invest in our business and, in line with the guidance we provided at the outset of the year, Canadian maintenance expenditures totaled 18.3 million dollars CDN; in the U.S., 30.1 million US dollars.

After deducting maintenance capital expenditures and other items such as interest expense from our EBITDA, we generated 142.0 million dollars of free cash flow available for distribution, a 17.5% increase over 2005.

On a weighted average trust unit and participating preferred share basis, we increased free cash flow available for distribution to \$2.17 in 2006 from \$1.91 in 2005.

Aggregate distributions declared, per weighted average

trust unit and participating preferred share, increased 6.7% to \$1.75.

Despite the increase in distributions declared, our reported payout ratio declined to 80.5% in 2006 compared to 85.8% in 2005. We continue to target an annual payout ratio below 90.0%, which is consistent with the Fund's historical cumulative payout ratio of 84.2% from its inception to December 31, 2006.

This is further evidence that our formula for success works – we are growing profitably and have more than enough to keep up our commitment to our unitholders.

Now it's time to switch gears and turn to today's news, our performance in the first quarter of 2007.

As Keith highlighted, we've had a strong start to the year.

First quarter 2007 revenue growth of 13.1% can be attributed to the same factors that have driven our past results – a broadening of our customer base, increased productivity, and acquisitions.

It was another good quarter for organic revenue growth, with 9.9% organic growth in Canada and 4.4% in the U.S., both excluding fuel surcharges.

Our revenue performance was solid despite the impact of what we consider to be more normalized winter conditions during the quarter, compared to the unusually mild months we experienced for the comparative period in 2006.

The poorer winter weather conditions mainly impacted waste volumes at our landfills and transfer stations. The decline in volumes was partially offset by higher commodity prices for our recycled materials, principally in our Canadian operations.

Moving on, operating expenses grew about 12.5% or 12.9 million dollars in the first quarter.

The increase was due to higher total disposal and labour costs as a result of more internally collected waste volumes and higher costs to service new and existing customers, contracts, and acquisitions.

The balance of the total change is due principally to higher vehicle operating costs and repairs and maintenance expense to support the increased volumes.

Selling, general and administrative expenses increased 9.6% or 2.4 million dollars.

Higher total salaries and an increase in our total contributions to our long-term incentive plan represent approximately 2.1 million dollars of the increase. Organic and acquisition growth, coupled with additional sales efforts, are the primary reasons for the balance of the increase in total salaries.

As Keith mentioned earlier, we had a solid first quarter EBITDA performance, at 58.7 million dollars, up 16.1% from 50.6 million dollars in the same quarter a year ago. This growth was the result of contributions from acquisitions and organic growth.

Amortization expense increased 7.5% or 2.6 million dollars in the first quarter of 2007.

The Canadian segment increase of about 400,000 dollars is attributable to higher capital asset amortization, and due largely to acquisitions and acquired growth capital through 2006.

However, the higher capital asset amortization was partially offset by lower landfill amortization, due to lower accepted landfill waste volumes, and lower intangible asset and deferred financing amortization.

The aggregate U.S. segment increase is attributable to higher capital, landfill and intangible asset amortization, due to acquired growth capital through 2006, acquisitions, and higher landfill amortization rates.

Interest on long-term debt increased 23.3% or 1.9 million dollars primarily due to drawings on our Canadian and U.S. revolving credit facilities to finance growth expenditures, working capital, and acquisitions. Higher variable interest rates also contributed to the increase.

Lower borrowing costs on variable rate demand solid waste disposal revenue bonds financings partially offset these increases.

We have been very active the past few months in adjusting our debt facilities in order to achieve the most flexibility possible, separately in both our Canadian and U.S. operations.

As Keith mentioned earlier, we also recently closed an equity offering. Effective April 5, 2007, we closed a 3.1 million trust

unit offering, plus an over-allotment option of an additional 465 thousand trust units. We applied the net proceeds from the offering, approximately 87.6 million dollars against advances from our U.S. revolving credit facility.

At March 31st, 2007, we were in compliance with all of our long-term debt facility covenants. We remain confident that our long-term debt facilities and available capacities are sufficient to meet our planned growth and development activities near term.

Relative to our industry, we continue to be conservatively leveraged with a ratio of 2.37 times debt to EBITDA. Had our trust unit offering closed on March 31, 2007, and the proceeds from the offering been applied against U.S. revolving credit facility advances, the Fund's long-term debt to last twelve months EBITDA ratio would have been 2.01 times.

Moving along, let's take a look at capital and landfill expenditures.

This year, as Keith mentioned, we expect maintenance expenditures of between 18 and 20 million dollars Canadian for our Canadian platform, and 31 to 33 million dollars US for our US platform.

Our total maintenance capital spend in the first quarter was 12.3 million dollars.

As we've said previously, maintenance spending is not linear and can fluctuate quarter to quarter and, it has been our experience that maintenance capital spending is traditionally higher in the first three quarters of each year.

Growth capital expenditures in the first quarter of 2007 totalled 10.2 million dollars and was about 5.3 million dollars lower than in the first quarter a year ago.

Free cash flow available for distribution increased 8.3% to 33.1 million dollars.

On a per weighted average trust unit and participating preferred share basis, free cash flow available for distribution in the first quarter of 2007 was 51 cents – up 4 cents or 8.5% from the first quarter a year ago – and our payout ratio in the quarter was 89.5%, as compared to 90.8% in the first quarter last year.

Cumulative payout ratio for our company to date is 84.7%, in line with our sub 90% annual payout ratio target.

As a reminder, our payout ratio is usually higher in the first quarter because of the impact of seasonality on revenue and EBITDA and the timing differences I discussed with respect to maintenance capital spending.

To conclude, our outlook for 2007 remains positive.

Given our progress over the past year, we are confident that the business fundamentals are in place to achieve a year of solid results in each of our geographical segments.

Throughout the industry, we continue to see pricing strength and believe that we have leverage in the markets we operate in. We are well positioned to employ our market focused strategies to further improve our performance.

We look forward to the challenge of continuing to grow our operations on your behalf.

Thank you for listening, and now I'll turn the meeting back to Joe Wright for questions.