

BFI CANADA INCOME FUND

AMENDED AND RESTATED UNIT OPTION PLAN

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**BFI CANADA INCOME FUND
AMENDED AND RESTATED UNIT OPTION PLAN**

Section 1. Interpretation and Administrative Provisions

1.1 Purpose

The purposes of this Plan are to provide Eligible Participants with compensation opportunities that will encourage ownership of Units, enhance the Participating Entities' ability to attract, retain and motivate senior employees, and reward them for significant performance.

1.2 Definitions

Unless the context otherwise specifies or specifically requires, in this Plan:

“**Affiliate**” means in respect of a person or company, another person or company that would be considered to be an “affiliate” in respect of such person or company for the purpose of National Instrument 45-106 - Prospectus and Registration Exemptions.

“**Blackout Period**” means any period during which insiders of the Fund or a Participating Entity are prohibited from trading Units as described in the Fund's Disclosure Policy, but excludes any period during which a regulator has halted trading in the Units.

“**Board**” means the board of trustees of the Fund.

“**Cause**” means (a) “cause”, “just cause” or a similar term as defined in the Participant's employment agreement, if any; or (b) if there is no such definition or agreement, means:

- (i) the failure by a Participant to perform his duties with a Participating Entity;
- (ii) theft, fraud, dishonesty or willful misconduct by the Participant involving the property, business or affairs of a Participating Entity or the carrying-out of the Participant's duties with a Participating Entity;
- (iii) the breach by a Participant who has an employment agreement of any material term of the Participant's employment agreement; or
- (iv) any other conduct that would be determined by the courts of the jurisdiction in which the Participant is employed with or providing services to a Participating Entity to constitute cause for termination of employment or a fundamental breach of the Participant's obligations to such Participating Entity.

“**Committee**” means the Compensation Committee of Newco, or if there is no such committee for any reason at any relevant time, the Board.

“**Eligible Participant**” means any director, officer or management employee of a Participating Entity (and includes any such person who is on a leave of absence authorized by a Participating Entity).

“**Fair Market Value**” means the volume weighted average trading price of a Unit on the primary exchange on which the Units are traded for the five days immediately preceding the relevant date.

“**Fund**” means the BFI Canada Income Fund established by declaration of trust dated February 28, 2002 as amended and restated from time to time.

“**Newco**” means 4264126 Canada Ltd.

“**Option**” means a right granted to an Eligible Participant to purchase Units of the Fund pursuant to the terms of this Plan.

“**Participant**” means any person to whom an Option has been granted pursuant to this Plan and whose grant is outstanding.

“**Participating Entity**” means the Fund, Newco, BFI Canada Holdings Inc., IESI Corp. and any of their Affiliates as designated by the Committee from time to time.

“**Plan**” means this Amended and Restated Unit Option Plan of the Fund, as amended from time to time.

“**Termination Date**” means the date a Participant ceases to be an Eligible Participant for any reason including the death of a Participant or the Participant’s employer ceasing to be a Participating Entity, and excludes any period of statutory, contractual or reasonable notice or deemed employment.

“**Unit**” means an equal undivided beneficial interest in the Fund.

“**Unitholder**” means the holder of a Unit.

1.3 Interpretation

In this Plan, references to Sections and Schedules are references to sections in and schedules to this Plan, unless specified otherwise. Where the context so requires, words importing the singular number include the plural and *vice versa*, and words importing the masculine gender also include the feminine and neuter genders. The use of headings in this Plan is for convenience only and does not affect the interpretation of this Plan.

1.4 Effective Date

This Plan, as amended with the approval of holders of Units at the Fund’s annual and special meeting held on May 13, 2008, shall be deemed to have become effective on April 3, 2008. Any

grants of Options, and related Option Agreements entered into, prior to that effective date shall remain outstanding but shall be governed by the terms of this amended Plan.

Section 2. Administration and Amendment

2.1 Administration

The Board delegates the administration of this Plan and any and all matters related to, connected with or arising out of this Plan to the Committee. The Board may revoke or amend this delegation from time to time in its sole and absolute discretion. Subject to the Committee reporting to the Board on matters relating to this Plan and obtaining the approval of the Board for those matters required by the Committee's mandate, and subject to Section 2.4, the Committee has the sole and absolute discretion to: (a) grant Options to Eligible Participants; (b) determine the exercise price, vesting, terms, limitations, restrictions and conditions upon such grants; (c) interpret and administer the Plan; (d) establish, amend and rescind any rules and regulations relating to the Plan; and (e) make any other determinations that the Committee deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, in the manner and to the extent the Committee deems, in its sole and absolute discretion, necessary or desirable, subject to obtaining the required approval, if any, from Unitholders, regulatory authorities or otherwise. Any decision of the Committee with respect to the administration and interpretation of the Plan shall be conclusive and binding on the Participants.

2.2 Amendment and Termination

Subject to Section 2.4, the Committee may amend, suspend or terminate this Plan or any portion thereof at any time in accordance with applicable legislation, and subject to the required approvals, if any, from the Unitholders, regulatory authorities or otherwise. No amendment, suspension or termination may materially adversely affect any Options, or any rights pursuant thereto, granted previously to any Participant without the consent of that Participant.

2.3 Amendment on Consent

Subject to Section 2.4, with the consent of the Participant affected thereby, the Committee may amend or modify any outstanding Option in any manner to the extent that the Committee would have had the authority to initially grant the award as so modified or amended including, without limitation, to change the date or dates as of which, or the price at which, an Option becomes exercisable, subject to obtaining the required approvals, if any, of the Unitholders, regulatory authorities or otherwise.

2.4 Amendments with Unitholder Approval

Notwithstanding any other provision of this Plan, Unitholder approval will be required for the following types of amendments:

- (a) increases to the number of Units issuable under the Plan, including an increase to a fixed maximum number of Units or a change from a fixed maximum number of Units to a fixed maximum percentage;
- (b) amendments that increase the length of the period after a Blackout Period during which Options, awards or any rights pursuant thereto may be exercised;
- (c) amendments that would reduce the exercise price for an Option or that would result in the exercise price for any Option being lower than the Fair Market Value of a Unit at the time the Option is granted, except a reasonable and appropriate reduction pursuant to Section 6.1;
- (d) any amendment expanding the categories of Eligible Participants which would have the potential of broadening or increasing insider participation;
- (e) amendments to termination provisions providing an extension beyond the original expiry date, except an automatic extension of an Option expiring during a Blackout Period on the terms set out in this Plan;
- (f) the addition of any other provision that results in Participants receiving Units while no cash consideration is received by the Fund; and
- (g) amendments required to be approved by Unitholders under applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange);
- (h) amendments that would allow for the transfer or assignment of Options by Participants, should that be permitted under applicable stock exchange rules;
- (i) amendment provisions granting additional powers to the Board to amend the Unit Option Plan or entitlement;
- (j) extension to the term of Options held by Insiders; and
- (k) changes to the Insider participation limits which result in securityholder approval to be required on a disinterested basis.

Section 3. Grants of Options and Rights of Option Holders

3.1 Units Reserved for Issuance

The Fund reserves 4,000,000 Units for issuance under this Plan. Any Unit subject to an Option that, for any reason, has been cancelled or terminated without having been exercised will again be available for issuance under this Plan.

The number of securities issuable to insiders, at any time, under all security based arrangements, including this Plan, cannot exceed 10% of issued and outstanding securities; and the number

securities issued to insiders, within any one-year period, under all security based compensation arrangements, including this Plan, cannot exceed 10% of the issued and outstanding securities.

3.2 Grant of Options and Option Agreement

The Committee may grant Options only to Eligible Participants. Each grant of Options must be confirmed by an agreement (an “**Option Agreement**”) in the form attached as **Schedule A** signed by the Fund or Newco and by the Participant acknowledging that the Participant agrees to be bound by the terms of this Plan.

3.3 Exercise of Options

The Committee may determine when any Option will become exercisable and may determine that the Option will be exercisable in installments. In the absence of any other determination, including, without limitation, in a Participant’s employment agreement, Options will become exercisable as follows:

- (a) as to 25% on and after the first anniversary of the date of grant;
- (b) as to an additional 25%, on and after the second anniversary of the date of grant;
- (c) as to an additional 25%, on and after the third anniversary of the date of grant;
and
- (d) as to the balance, on and after the fourth anniversary of the date of grant,

and Options expire on the tenth anniversary of the date of grant.

3.4 Acceleration of Exercise of Options

Notwithstanding any other provisions of this Plan, the Committee may at any time give written notice to all Participants advising that their respective Options are all immediately exercisable and may be exercised only within 30 days of such written notice or such other period as determined by the Committee and not thereafter and that all rights of the Participants under any Options not exercised within such period will terminate at the expiration of such period.

3.5 Exercise Price

The exercise price of an Option granted pursuant to this Plan shall be not less than the Fair Market Value per Unit, provided such grant prices must also be in accordance with applicable laws and stock exchange and regulatory policies.

3.6 Exercise Procedure

In order to exercise an Option, the Participant must file with the Chief Financial Officer or Secretary of the Fund or Newco a completed Notice of Exercise in the form attached as **Schedule B**. The exercise price of each Unit purchased under an Option must be paid in full by

bank draft or certified cheque at the time of exercise. Upon receipt of payment in full and subject to the terms of this Plan, the number of Units in respect of which the Option is exercised will be duly issued as fully paid and non-assessable.

3.7 Prohibition on Transfer or Assignment of Options

Options are personal to the Participant. No Participant may deal with any Option or any interest in it or transfer or assign any Option now or hereafter held by the Participant. A purported transfer or assignment of any Option will not be valid and the Fund will not issue any Unit upon the attempted exercise of a transferred or assigned Option.

3.8 Participants are not Unitholders

Except as expressly set out in this Plan, a Participant is not and is not deemed to be a Unitholder and has no rights as a Unitholder, as a result of participating in this Plan.

3.9 No Special Rights of Employment or Office

Nothing in this Plan or in any grant under this Plan will confer upon any Participant any right to the continuation of the Participant's employment, position or office with, or the Participant continuing to act as a director, trustee, partner, officer or employee of, a Participating Entity or interfere in any way with the right of any Participating Entity at any time to terminate that employment, position or office or to increase or decrease the compensation of a Participant.

3.10 No Other Benefits of Employment of Office

The amount of compensation received or deemed to be received by a Participant as a result of the grant of Options or the sale of Units received upon an exercise of an Option will not constitute compensation with respect to which any other benefits of employment, position or office of that Participant are determined including, without limitation, benefits under any bonus, pension, profit-sharing, insurance or salary continuation plan, except as otherwise specifically determined by the Committee.

Section 4. Unit Appreciation Rights

4.1 Grants of Unit Appreciation Rights

- (a) The Committee may, from time to time, grant rights (“**Unit Appreciation Rights**”) to any Eligible Participant in connection with the grant of any Option. Any such grant of Unit Appreciation Rights shall be included in the Option Agreement.
- (b) A Unit Appreciation Right is the right to surrender to the Fund all or a portion of an Option in exchange for an amount equal to the excess, if any, of:

- (i) the Fair Market Value as of the date such Option or portion thereof is surrendered of the Units issuable on exercise of such Option or portion thereof over
- (ii) the exercise price of such Option or portion thereof, relating to such Units and any amount required to be withheld by applicable law.

4.2 Exercise

Unit Appreciation Rights shall be exercisable only at the same time, by the same persons and to the same extent, that the Option related thereto is exercisable. Upon exercise of any Unit Appreciation Right, the related Option shall be surrendered to the Fund, and the number of Units reserved for issuance under this Plan shall be reduced by the total number of Units underlying the related Option.

Section 5. Resignation, Termination, Death, Disability, Expiry

5.1 Resignation

If a Participant ceases to be an Eligible Participant as a result of resignation of employment, then as at the Termination Date, each Option held by the Participant ceases to vest and those which are exercisable as at the Termination Date may be exercised during the period ending 30 days after the Termination Date, after which all unexercised Options held by the Participant will expire, subject to Section 5.5.

5.2 Without Cause or Cessation of Eligible Participant

If a Participant ceases to be an Eligible Participant as a result of termination of employment or services without Cause or as a result of the employer of the Eligible Participant ceasing to be a Participating Entity, then as at the Termination Date each Option held by the Participant ceases to vest and those which are exercisable as at the Termination Date may be exercised during the period ending 90 days after the Termination Date after which all unexercised Options held by the Participant will expire, subject to Section 5.5.

5.3 For Cause

If a Participant ceases to be an Eligible Participant as a result of termination of employment or services for Cause, then as at the Termination Date each Option held by the Participant ceases to vest and Options which are exercisable cease to be exercisable, subject to Section 5.5.

5.4 Disability or Death

If a Participant ceases to be an Eligible Participant as a result of disability, then as at the Termination Date each Option held by the Participant ceases to vest and those which are exercisable as at the Termination Date may be exercised during the period ending 12 months after the Termination Date after which all unexercised Options held by the Participant will expire, subject to Section 5.5. If a Participant dies, then as at the Termination Date each Option

held by the Participant ceases to vest and those which are exercisable as at the Termination Date may be exercised by the Participant's legal representatives during the period ending 12 months after the date of the Termination Date after which all of such Participant's unexercised Options will expire, subject to Section 5.5.

5.5 Expiry

Notwithstanding Sections 5.1 to 5.5 inclusive, the Committee may, in its discretion, either at the time of the grant or thereafter provide that Options, whether or not exercisable prior to a Participant's Termination Date, shall be exercisable thereafter, to the extent and for such period of time as the Committee, in its discretion, determines, provided that no Option may be exercised after its stated expiration. Options granted must be exercised no later than 10 years after the date of grant or such shorter period as the Committee may require. However, if an Option expires during or shortly after the end of a Blackout Period or the Participant's Termination Date pursuant to Sections 5.1, 5.2 or 5.4 falls within or shortly after the end of a Blackout Period, the term of the Option or the Termination Date, as applicable, is automatically extended until ten business days after the end of the Blackout Period.

5.6 End of Participation

At the time a Participant ceases to hold Options which are or may become exercisable, the Participant ceases to be a Participant.

Section 6. General

6.1 Capital Adjustments

In the event of any unit dividend, unit split, combination or exchange of units, merger, arrangement, reorganization, consolidation, spin-off or other distribution, other than normal cash dividends, of the Fund's assets to Unitholders, or any other change in the capital of the Fund affecting Units, the Committee will make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change, with respect to (a) the number or kind of Units or other securities reserved for issuance pursuant to this Plan; and (b) the number or kind of Units or other securities subject to unexercised Options previously granted and the exercise price of those Options, subject to Unitholder approval if required; provided, however, that no substitution or adjustment will obligate the Fund or any successor entity to issue or sell fractional securities.

6.2 Non-Exclusivity

Nothing contained herein will prevent the Board from adopting other or additional compensation arrangements for the benefit of any Participant, subject to any required regulatory or Unitholder approval.

6.3 Compliance with Declaration of Trust

The Committee may postpone any exercise of any Option or the issue of any Units pursuant to this Plan for as long as the Committee in its discretion may deem necessary in order to permit the Fund to effect or maintain qualification of the Units issuable pursuant thereto under the declaration of trust of the Fund. The Fund is not obligated by any provision of this Plan or grant hereunder to sell or issue Units in violation of the declaration of trust of the Fund or the law of any government having jurisdiction therein. In addition, if the Units are listed on a stock exchange, the Fund will have no obligation to issue any Units pursuant to this Plan until such Units have been duly listed.

6.4 Tax Consequences

It is the responsibility of the Participant to complete and file any tax returns which may be required under any applicable tax laws within the periods specified in those laws as a result of the Participant's participation in the Plan. The Fund shall not be held responsible for any tax consequences to the Participant as a result of the Participant's participation in the Plan. The Fund shall make any withholdings or deductions in respect of taxes as required by law or the interpretation or administration thereof. The Fund shall be entitled to make arrangements to sell a sufficient number of Units to be issued pursuant to the exercise of an Option to fund the payment and remittance of such taxes that are required to be deducted or withheld and any associated costs.

6.5 No Liability

The Participating Entities and their owners, shareholders, Unitholders, employees and officers, along with their boards of directors and trustees and each respective member or trustee thereof, as applicable, will not be liable or responsible:

- (a) for any act or omission, whether or not negligently taken or omitted in good faith, or for the exercise of an authority or discretion granted in connection with this Plan to the Committee;
- (b) for any tax consequences to the Participant as a result of the Participant's participation in this Plan; or
- (c) to any Participant for any loss resulting from a decline in the value of a Option or Unit, if any.

The liabilities of the Fund with respect to its obligations under this Plan are not personally binding upon, and resort shall not be had to, nor may recourse or satisfaction be sought from, the private property of any Unitholder, trustee, officer, employee or agent of the Fund, but only property of the Fund or a specific portion thereof only shall be bound, and such obligations and liabilities shall be satisfied only out of, and recourse under this Plan shall be limited to, the property and assets of the Fund.

6.6 Notices

All notices under the Plan will be in writing and if to a Participating Entity will be delivered to the Participating Entity by first class post to its head office, and if to a Participant, will be delivered personally or sent by first class post to the Participant at the address which the Participant will give for the purpose, or failing any such address to the Participant's last known place of residence. If a notice is sent by post, service thereof will be deemed to be effected by properly addressing, prepaying and posting a letter containing the same to such address and will be deemed to be served forty-eight hours after such posting.

6.7 Unfunded Plan

To the extent any individual holds any rights under the Plan, such rights (unless otherwise determined by the Committee) shall be no greater than the rights of a general unsecured creditor of the Fund.

6.8 Costs

The costs of the operation of this Plan will be borne by the Participating Entities as they determine.

6.9 Governing Law

This Plan is to be governed by, and interpreted and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6.10 Severability

If any provision, or part thereof, in this Plan is determined to be invalid or unenforceable, such provision, or part thereof, will be severed from this Plan only in respect of such persons, circumstances and jurisdictions where it was determined to be invalid or unenforceable, and the rest of the Plan as it applies to other persons, circumstances or jurisdictions, will remain in full force and effect.

6.11 Successors and Assigns

The Plan shall be binding on all successors and assigns of the Fund and each Participant, including without limitation, the legal representative of a Participant, or any receiver or trustee in bankruptcy or representative of the Fund's or Participant's creditors.

6.12 Survival

If this Plan is terminated, the provisions of this Plan and any administrative guidelines, and other rules adopted by the Committee and in force at the time of this Plan, will continue in effect as long as any Options or any rights pursuant thereto remain outstanding. However, notwithstanding the termination of this Plan, the Committee may make any amendments to this Plan or the Options that it would be entitled to make if this Plan were still in effect.

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BFI CANADA INCOME FUND AMENDED AND RESTATED UNIT OPTION PLAN

SCHEDULE A
OPTION AGREEMENT

[Name of Employee] (the “Participant”)

Pursuant to the BFI Canada Income Fund Amended and Restated Unit Option Plan (the “Plan”) effective April 3, 2008 and in consideration of services provided to any Participating Entity by the Participant, BFI Canada Income Fund (the “Fund”) hereby grants to the Participant an option (the “Option”) to acquire _____ units (“Units”) of the Fund at an exercise price of \$_____ per Unit [**and tandem Unit Appreciation Right**].

All capitalized terms not defined in this agreement have the meaning set out in the Plan.

Subject to earlier expiry in accordance with the Plan, the Option shall cease to be exercisable and shall expire on _____, _____. The Option will vest and become exercisable as follows:

- (a) as to 25%, on and after the first anniversary of the date of grant of the Option;
- (b) as to an additional 25%, on and after the second anniversary of the date of grant of the Option;
- (c) as to an additional 25%, on and after the third anniversary of the date of grant of the Option; and
- (d) as to the remaining 25%, on and after the fourth anniversary of the date of grant of the Option.

Any period of statutory, contractual or reasonable notice of termination of employment or deemed employment following a Participant’s Termination Date shall not be recognized for vesting or any other purpose under the Plan.

BFI Canada Income Fund and the Participant understand and agree that the granting and exercise of this Option and the issue of Units are subject to the terms and conditions of the Plan, all of which are incorporated into and form a part of this agreement.

BFI CANADA INCOME FUND

By _____

Date _____

I agree to the terms and conditions set out herein.

Signature

Print Name

Date

**BFI CANADA INCOME FUND
AMENDED AND RESTATED UNIT OPTION PLAN**

**SCHEDULE B
NOTICE OF EXERCISE**

TO: **The Fund or 4264126 Canada Ltd.**
 Attention: The Secretary or Chief Financial Officer

Pursuant to the BFI Canada Income Fund Amended and Restated Unit Option Plan (the "Plan"), the undersigned elects to:

- exercise an Option to purchase _____ units ("Units") of BFI Canada Income Fund (the "Fund"), which are the subject of an option granted on _____, _____, and encloses a bank draft or a certified cheque payable to the Fund in the aggregate amount of \$ _____, being \$ _____ per Unit.

The Fund is directed by the undersigned to deliver to the following account, particulars and other details necessary to record through the CDS Clearing and Depository Services Inc. ("CDS") (or through a broker, dealer, bank or other financial institution or other person who, directly or indirectly, from time to time effects book-based transfers with CDS and pledges of securities deposited with CDS) the undersigned's interest in the Units that are deliverable on exercise of the option.

(Insert financial institution name and account particulars and contact information; account must be maintained with a CDS participant. Note: It is very important that contact information in Toronto be provided.)

- OR -

- exercise _____ Unit Appreciation Rights, which were granted on _____, _____.

Signature

Print Name

Date