

**ENBRIDGE INCOME FUND**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

<i>(unaudited; millions of dollars, except per unit amounts)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	<b>2008</b>	2007	<b>2008</b>	2007
Revenue	<b>72.2</b>	65.0	<b>213.3</b>	197.8
Expenses				
Operating and maintenance	<b>21.2</b>	17.9	<b>60.8</b>	51.8
Management and administrative	<b>1.5</b>	1.0	<b>4.4</b>	3.8
Depreciation and amortization	<b>21.8</b>	19.3	<b>63.3</b>	61.0
	<b>44.5</b>	38.2	<b>128.5</b>	116.6
Other Income and Expense	<b>0.3</b>	0.2	<b>7.2</b>	1.1
Interest Expense	<b>(14.8)</b>	(15.4)	<b>(45.2)</b>	(45.9)
ECT Preferred Unit Distributions	<b>(9.8)</b>	(9.1)	<b>(29.4)</b>	(27.4)
	<b>3.4</b>	2.5	<b>17.4</b>	9.0
Income Tax Recovery/(Expense)	<b>1.5</b>	1.3	<b>(0.3)</b>	1.3
Earnings	<b>4.9</b>	3.8	<b>17.1</b>	10.3
Earnings per Trust Unit				
Basic and Diluted	<b>0.14</b>	0.11	<b>0.49</b>	0.30

*See accompanying notes to the unaudited consolidated financial statements.*

**ENBRIDGE INCOME FUND**  
**CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY**

<i>(unaudited; millions of dollars)</i>	Nine months ended September 30,	
	<b>2008</b>	2007
Trust Units	<b>333.4</b>	333.4
Deficit, Beginning of Period	<b>(48.1)</b>	(36.1)
Earnings	<b>17.1</b>	10.3
Distributions to unitholders	<b>(26.8)</b>	(24.9)
Deficit, End of Period	<b>(57.8)</b>	(50.7)
Accumulated Other Comprehensive Loss, Beginning of Period	<b>(6.2)</b>	-
Cumulative impact of change in accounting policy	-	(6.1)
Other comprehensive loss	<b>(1.6)</b>	(2.4)
Accumulated Other Comprehensive Loss, End of Period	<b>(7.8)</b>	(8.5)
Total Unitholders' Equity	<b>267.8</b>	274.2

See accompanying notes to the unaudited consolidated financial statements.

**ENBRIDGE INCOME FUND**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(unaudited; millions of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	<b>2008</b>	2007	<b>2008</b>	2007
Earnings	<b>4.9</b>	3.8	<b>17.1</b>	10.3
Other Comprehensive Income/(Loss)				
Change in unrealized fair value on cash flow hedges, net of tax	<b>2.4</b>	(0.2)	<b>(2.4)</b>	(2.7)
Reclassification of realized (gains)/losses on cash flow hedges to earnings	<b>(0.1)</b>	0.2	<b>0.8</b>	0.3
	<b>2.3</b>	-	<b>(1.6)</b>	(2.4)
Comprehensive Income	<b>7.2</b>	3.8	<b>15.5</b>	7.9

See accompanying notes to the unaudited consolidated financial statements.

**ENBRIDGE INCOME FUND**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(unaudited; millions of dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	<b>2008</b>	2007	<b>2008</b>	2007
<b>Cash Provided by Operating Activities</b>				
Earnings	<b>4.9</b>	3.8	<b>17.1</b>	10.3
Charges/(credits) not affecting cash				
Depreciation and amortization	<b>21.8</b>	19.3	<b>63.3</b>	61.0
Amortization of deferred financing charges	<b>0.2</b>	0.3	<b>1.0</b>	1.1
Amortization of fair value increment on debt	<b>(1.1)</b>	(1.3)	<b>(3.7)</b>	(3.9)
Future income taxes	<b>(0.4)</b>	(0.4)	<b>(1.5)</b>	(1.1)
Other	<b>(0.6)</b>		<b>1.0</b>	-
Changes in operating assets and liabilities				
Change in accounts receivable and other	<b>(8.0)</b>	3.1	<b>(7.2)</b>	(2.2)
Change in accounts payable and accrued liabilities	<b>15.1</b>	10.6	<b>20.1</b>	13.7
Change in deferred amounts and other assets	<b>(3.8)</b>	(4.7)	<b>(11.6)</b>	(13.7)
Change in long-term liabilities	<b>2.0</b>	(0.1)	<b>9.1</b>	5.9
	<b>30.1</b>	30.6	<b>87.6</b>	71.1
<b>Investing Activities</b>				
Additions to property, plant and equipment	<b>(10.4)</b>	(18.3)	<b>(36.3)</b>	(37.3)
Change in construction payable	<b>(2.7)</b>	2.4	<b>(7.3)</b>	(2.0)
	<b>(13.1)</b>	(15.9)	<b>(43.6)</b>	(39.3)
<b>Financing Activities</b>				
Net change in long-term credit facility	<b>5.5</b>	8.1	<b>(13.5)</b>	18.1
Net change in non-recourse credit facility	<b>(3.1)</b>	2.2	<b>19.5</b>	3.4
Repayment of non-recourse long-term debt	-	-	<b>(14.2)</b>	(13.1)
Ordinary and subordinated trust unit distributions	<b>(8.9)</b>	(8.3)	<b>(26.6)</b>	(24.9)
	<b>(6.5)</b>	2.0	<b>(34.8)</b>	(16.5)
Increase in Cash and Cash Equivalents	<b>10.5</b>	16.7	<b>9.2</b>	15.3
Cash and Cash Equivalents at Beginning of Period	<b>13.4</b>	16.0	<b>14.7</b>	17.4
Cash and Cash Equivalents at End of Period	<b>23.9</b>	32.7	<b>23.9</b>	32.7
Cash and Cash Equivalents			<b>6.0</b>	11.8
Cash and Cash Equivalents in Trust			<b>17.9</b>	20.9
			<b>23.9</b>	32.7

See accompanying notes to the unaudited consolidated financial statements.

**ENBRIDGE INCOME FUND**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(unaudited; millions of dollars)</i>	<b>September 30, 2008</b>	December 31, 2007
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	23.9	14.7
Accounts receivable and other	40.0	32.8
	<b>63.9</b>	47.5
Property, Plant and Equipment	1,306.7	1,329.0
Intangible Assets	92.2	96.4
Goodwill	308.1	308.1
Deferred Amounts and Other Assets	85.7	75.0
Future Income Taxes	2.8	2.8
	<b>1,859.4</b>	1,858.8
<b>Liabilities and Unitholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	52.7	39.6
Distributions payable	3.0	2.8
Current portion of non-recourse long-term debt	29.9	28.7
	<b>85.6</b>	71.1
Long-Term Debt	271.5	284.2
Non-Recourse Long-Term Debt	761.8	761.1
ECT Preferred Units	380.2	380.2
Long-Term Liabilities	22.4	11.0
Asset Retirement Obligations	8.3	7.9
Future Income Taxes	61.8	64.2
	<b>1,591.6</b>	1,579.7
Unitholders' Equity		
Trust units	333.4	333.4
Deficit	(57.8)	(48.1)
Accumulated other comprehensive loss	(7.8)	(6.2)
	<b>267.8</b>	279.1
	<b>1,859.4</b>	1,858.8

*See accompanying notes to the unaudited consolidated financial statements.*

**ENBRIDGE INCOME FUND**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements do not include all disclosures required for annual financial statements and should; therefore, be read in conjunction with the consolidated financial statements and notes thereto included in the 2007 Annual Report of the Enbridge Income Fund (the Fund). These interim financial statements follow the same accounting policies and methods of application as those included in the Fund's 2007 Annual Report. Additional disclosures related the Fund's capital management and financial instruments have been added in accordance with CICA Handbook Section 3862 "Financial Instruments – Disclosures", Section 3863 "Financial Instruments – Presentation", and Section 1535 "Capital Disclosures."

Earnings for interim periods may not be indicative of results for the fiscal year due to the seasonal nature of Green Power segment.

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

**1. SEGMENTED INFORMATION**

**Three months ended September 30, 2008**

<i>(unaudited, millions of dollars)</i>	<b>Alliance</b>	<b>Saskatchewan</b>	<b>Green</b>		<b>Consolidated</b>
	<b>Canada</b>	<b>System</b>	<b>Power</b>	<b>Corporate</b>	
Revenue	<b>54.2</b>	<b>15.7</b>	<b>2.3</b>	-	<b>72.2</b>
Operating and maintenance	<b>(12.9)</b>	<b>(7.6)</b>	<b>(0.7)</b>	-	<b>(21.2)</b>
Management and administrative	-	-	-	<b>(1.5)</b>	<b>(1.5)</b>
Depreciation and amortization	<b>(15.6)</b>	<b>(5.3)</b>	<b>(0.9)</b>	-	<b>(21.8)</b>
	<b>25.7</b>	<b>2.8</b>	<b>0.7</b>	<b>(1.5)</b>	<b>27.7</b>
Other income and expense	<b>0.2</b>	-	<b>0.1</b>	-	<b>0.3</b>
Interest expense	<b>(11.3)</b>	-	<b>(0.1)</b>	<b>(3.4)</b>	<b>(14.8)</b>
ECT preferred unit distributions	-	-	-	<b>(9.8)</b>	<b>(9.8)</b>
Income tax recovery/(expense)	<b>0.1</b>	<b>0.8</b>	-	<b>0.6</b>	<b>1.5</b>
<b>Earnings</b>	<b>14.7</b>	<b>3.6</b>	<b>0.7</b>	<b>(14.1)</b>	<b>4.9</b>
Capital expenditures	<b>4.0</b>	<b>4.4</b>	<b>2.0</b>	-	<b>10.4</b>

**Three months ended September 30, 2007**

<i>(unaudited, millions of dollars)</i>	<b>Alliance</b>	<b>Saskatchewan</b>	<b>Green</b>		<b>Consolidated</b>
	<b>Canada</b>	<b>System</b>	<b>Power</b>	<b>Corporate</b>	
Revenue	51.7	12.2	1.1	-	65.0
Operating and maintenance	(10.8)	(6.6)	(0.5)	-	(17.9)
Management and administrative	-	-	-	(1.0)	(1.0)
Depreciation and amortization	(15.2)	(3.4)	(0.7)	-	(19.3)
	25.7	2.2	(0.1)	(1.0)	26.8
Other income and expense	0.2	-	-	-	0.2
Interest expense	(11.7)	-	-	(3.7)	(15.4)
ECT preferred unit distributions	-	-	-	(9.1)	(9.1)
Income tax recovery/(expense)	(0.1)	0.8	0.1	0.5	1.3
<b>Earnings</b>	<b>14.1</b>	<b>3.0</b>	<b>-</b>	<b>(13.3)</b>	<b>3.8</b>
Capital expenditures	4.5	7.4	6.4	-	18.3

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**Nine months ended September 30, 2008**

<i>(unaudited, millions of dollars)</i>	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
Revenue	162.4	46.1	4.8	-	213.3
Operating and maintenance	(37.7)	(21.3)	(1.8)	-	(60.8)
Management and administrative	-	-	-	(4.4)	(4.4)
Depreciation and amortization	(46.8)	(14.2)	(2.3)	-	(63.3)
	77.9	10.6	0.7	(4.4)	84.8
Other income and expense	6.8	-	0.3	0.1	7.2
Interest expense	(35.1)	-	(0.2)	(9.9)	(45.2)
ECT preferred unit distributions	-	-	-	(29.4)	(29.4)
Income tax recovery/(expense)	0.1	2.3	-	(2.7)	(0.3)
Earnings	49.7	12.9	0.8	(46.3)	17.1
Capital expenditures	12.0	20.4	3.9	-	36.3

**Nine months ended September 30, 2007**

<i>(unaudited, millions of dollars)</i>	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
Revenue	155.0	38.0	4.8	-	197.8
Operating and maintenance	(31.2)	(19.0)	(1.6)	-	(51.8)
Management and administrative	-	-	-	(3.8)	(3.8)
Depreciation and amortization	(46.5)	(12.4)	(2.1)	-	(61.0)
	77.3	6.6	1.1	(3.8)	81.2
Other income and expense	0.7	-	0.3	0.1	1.1
Interest expense	(35.4)	-	-	(10.5)	(45.9)
ECT preferred unit distributions	-	-	-	(27.4)	(27.4)
Income tax recovery/(expense)	0.2	3.2	0.3	(2.4)	1.3
Earnings	42.8	9.8	1.7	(44.0)	10.3
Capital expenditures	10.2	12.6	14.5	-	37.3

**2. CAPITAL DISCLOSURES**

The Fund defines capital as unitholders' equity (excluding accumulated other comprehensive loss), long-term debt (net of transaction costs), and Enbridge Commercial Trust (ECT) Preferred Units, less cash and cash equivalents (net of proportionately consolidated cash and cash equivalents). Non-recourse debt, consisting of debt proportionately consolidated from joint venture interests, is excluded from the Fund's definition of capital as it is not controlled or managed exclusively by the Fund.

The Fund's capital is calculated as follows:

<i>(unaudited; millions of dollars)</i>	<b>September 30, 2008</b>	December 31, 2007
Long-Term Debt	271.5	284.2
Unitholders' Equity	275.6	285.3
ECT Preferred Units	380.2	380.2
Cash and Cash Equivalents	(0.3)	(1.6)
	<b>927.0</b>	948.1

The Fund's objectives when managing capital are to maintain flexibility between

- a) enabling its businesses to operate at the highest efficiency;
- b) providing liquidity and access to capital for growth opportunities; and

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- c) providing returns and generating predictable cash flow for distribution to unitholders.

To ensure access to capital and liquidity on reasonable terms in most market conditions, the Fund targets to maintain an investment grade credit rating. New capital can be raised through the issuance of short and long-term debt as well as equity securities. The draft legislation to implement Bill C52 limits the amount of additional equity that income trusts, including the Fund, can raise before 2011. The relative amount of debt and equity in the Fund's structure is managed with a view to maintaining credit metrics within parameters established by the rating agencies and lenders. One important metric is the ratio of debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The Fund's credit facility includes a covenant that limits outstanding debt to a multiple of EBITDA. As at December 31, 2007 and September 30, 2008, the Fund was in full compliance with its covenants.

### **3. RISK MANAGEMENT**

#### **Market Price Risk**

The Fund's earnings are subject to movements in interest rates, foreign exchange rates and commodity prices (collectively, market price risk). Risk management policies, processes and systems are in place to mitigate these risks. The following summarizes the types of market price risks to which the Fund is exposed, and the risk management instruments used to mitigate them.

#### *Interest Rate Risk*

The Fund is exposed to interest rate fluctuations in the form of cash flow interest rate risk and fair value interest rate risk. Cash flows and earnings are impacted by changes in market interest rates on existing variable rate debt. The fair value of fixed rate long-term debt is also impacted by changes in market interest rates. Floating to fixed interest rate swaps are used from time to time to hedge against cash flow volatility due to the effect of future interest rate movements on existing debt instruments. As at September 30, 2008, there are no interest rate derivative financial instruments outstanding.

Based on variable rate debt balances, excluding Alliance Canada, a 1.0% change in interest rates would have resulted in a \$0.3 million and a \$0.8 million impact to earnings for the three and nine months ended September 30, 2008. Alliance Canada is not sensitive to fluctuations in interest rates under its cost of service toll methodology. The total carrying value of the Fund's variable rate debt (including Alliance Canada) was \$147.6 million at September 30, 2008.

#### *Commodity Price Risk*

Commodity price risk is the risk of changes in cash flows or earnings due to changes in the market price of commodities. The Fund is exposed to movements in the price of power through its interest in wind power assets in Alberta. To manage this exposure, the Fund uses two fixed price power agreements that convert the floating price received when power is sold to a fixed rate.

For the three and nine months ended September 30, 2008, a \$10 change in the price of power (per MWh) would have impacted after-tax earnings by \$0.5 million and \$0.6 million, respectively, as well as other comprehensive income by \$3.0 million. In order to derive the impact of this change, the Fund assumed capacity based on the asset's underlying performance to date, used observable market inputs to derive future power prices, and discounted the expected cash flows.

#### **Summary of Derivative Instruments used for Risk Management**

The Fund uses the following cash flow hedges to manage changes in power prices.

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*Derivative Instruments used as Cash Flow Hedges*

September 30, 2008	Notional Principal or Quantity (MW/H)	Fair Value Payable <sup>1</sup>	Maturity	Three months ended September 30		Nine months ended September 30	
				Unrealized Gains, net of tax	Realized (Losses)/ Gains, net of tax	Unrealized Losses, net of tax	Realized Losses, net of tax
<i>(unaudited; millions of dollars, unless otherwise noted)</i>							
ChinChute Power Swap	2.0	(2.7)	2017	0.7	(0.1)	(0.9)	(0.4)
Magrath Power Swap	2.8	(6.3)	2024	1.7	0.2	(1.5)	(0.4)
	4.8	(9.0)		2.4	0.1	(2.4)	(0.8)

<sup>1</sup> See Note 4 Financial Instruments for a description of the methodology used in deriving the fair value of these instruments.

The current portion of the fair value payable is included in accounts payable and accrued liabilities, while the long-term portion is included in long-term liabilities. The Fund estimates that \$1.1 million of Accumulated Other Comprehensive Income (AOCI) related to cash flow hedges will be reclassified to earnings in the next 12 months.

**Unrealized Gains and Losses on Non-Hedging Derivatives**

The Fund does not use derivative instruments for speculative purposes. However, if a derivative instrument is not an effective hedge for accounting purposes or is not designated as a hedging item, changes in the fair value are recorded in current period earnings. The Fund recognized an unrealized derivative gain of \$0.4 million (after tax of \$0.2 million) in the third quarter and recognized an unrealized derivative loss of \$0.2 million (after tax recovery of \$0.1 million) for the nine months ended September 30, 2008 (2007 - \$nil) related to a portion of a power purchase swap agreement not designated as a hedging instrument. This instrument has a fair value payable of \$1.4 million.

**4. FINANCIAL INSTRUMENTS**

<i>(unaudited; millions of dollars)</i>	September 30, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	23.9	23.9	14.7	14.7
Accounts receivable and other	38.1	38.1	32.2	32.2
Held for trading <sup>1</sup>	5.0	5.0	5.8	5.8
	67.0	67.0	52.7	52.7
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	54.1	54.1	38.5	38.5
Long-term debt <sup>2</sup>	1,070.5	1,092.1	1,078.2	1,124.4
ECT preferred units	380.2	385.9	380.2	389.7
Long-term liabilities	2.3	2.3	3.2	3.2
Current derivatives payable <sup>3</sup>	1.2	1.2	0.9	0.9
Long-term derivatives payable <sup>3</sup>	9.1	9.1	6.9	6.9
	1,517.4	1,544.7	1,507.9	1,563.6

<sup>1</sup> Alliance Canada acquired an investment in asset-backed commercial paper, issued by a structured trust as part of Alliance Canada's current debt service requirement.

<sup>2</sup> Long-term debt includes non-recourse debt but excludes transaction costs.

<sup>3</sup> Derivatives payable includes those derivatives used in hedging relationships and non-hedging derivatives.

The fair value of financial instruments represents the estimated amounts that would have been received from or paid to counterparties to settle these instruments at the reporting date.

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The fair value of the Fund's derivative financial instruments reflects the Fund's best estimates of market value based on generally accepted valuation techniques or models and supported by published market prices for commodities. When such prices are not available, the Fund uses discounted cash flow analysis based on models derived from observable market inputs.

The fair value of the Fund's long-term debt is based on actively quoted market prices for instruments of similar yield and term. The fair value of the ECT preferred units is derived from the closing market price of the Fund's ordinary units.

The fair value of other financial assets and liabilities approximate their cost, due to either the short period to maturity or lack of an actively quoted market.

*Liquidity Risk*

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. In order to manage this risk, the Fund forecasts its cashflow over the near and long term and ensures that sufficient funds will be available when required. The Fund's primary source of liquidity and capital resources are cash provided by operating activities and the Fund's credit facility. Cash generated by operating activities, supplemented by additional borrowings as necessary, is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

The Fund generally has no financial liabilities maturing beyond one year with the exception of its long-term debt. The following tables summarize expected cash outflows to settle both the principal and the interest payments associated with the debt.

**Long-term Debt**

<i>(unaudited, millions of dollars)</i>	Total	Less than					After 6
		1 year	2 years	3 years	4 years	5 years	years
Long-Term Debt	275.0	-	100.0	-	85.0	-	90.0
Non-recourse Debt <sup>1</sup>	756.0	29.9	32.4	57.6	37.6	79.4	519.1
	1,031.0	29.9	132.4	57.6	122.6	79.4	609.1

<sup>1</sup>Non-recourse debt includes both the Alliance Canada and NRGreen credit facilities. Under the NRGreen facility agreement, NRGreen has pledged as collateral its property and assigned its material agreements including its power purchase agreements with SaskPower to its lender.

**Interest Obligations**

<i>(unaudited, millions of dollars)</i>	Total	Less than					After 6
		1 year	2 years	3 years	4 years	5 years	years
Interest payments on long-term debt	36.9	8.9	6.8	4.7	4.7	4.7	7.1
Interest payments on non-recourse long-term debt <sup>2</sup>	467.2	48.0	46.0	43.8	41.4	38.9	249.1
Total interest payments	504.1	56.9	52.8	48.5	46.1	43.6	256.2

<sup>1</sup> Excludes interest on credit facilities outstanding due to the variability in the amounts outstanding each period.

<sup>2</sup> Includes interest on Senior Notes outstanding at Alliance Canada which is recoverable through toll revenue.

*Credit Risk*

Credit risk arises from the possibility that a counterparty will default on its contractual obligations. Accounts receivable are subject to credit risk. The carrying values reflect Management's assessment of the associated maximum exposure to such credit risk.

Alliance Canada is exposed to credit risk since its business is concentrated in the natural gas transportation industry and its revenue is dependent upon the ability of its shippers to pay their monthly demand charges. Alliance Canada limits, to some degree, its exposure to this credit risk by requiring its shippers to provide letters of credit or other suitable security unless they maintain specified credit ratings or financial positions. As at September 30, 2008, Alliance Canada held \$37.5 million in letters of credit for these shippers.

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The Saskatchewan System's trade receivables consist primarily of amounts due from companies operating in the oil and gas industry. The credit risk associated with these receivables is mitigated by credit exposure limits, contractual and collateral requirements and netting arrangements.

Green Power is exposed to credit risk since each project's primary source of fixed price revenue is a single counterparty. This risk is mitigated by requirements for counterparties to maintain specified credit ratings.

From time to time, accounts receivables and other financial assets are past due. The management and monitoring of these accounts is performed on an ongoing basis by each business. As at September 30, 2008, accounts receivable in excess of 90 days represented less than 1% of the total balance.

In 2007, Alliance Canada acquired a \$12.4 million investment in asset-backed commercial paper. As a result of the liquidity issues arising in the asset-backed commercial paper market, Alliance Canada was unable to redeem this investment upon its maturity on August 31, 2007. A restructuring plan that involves pooling the assets held by the non-bank asset-backed conduits into new asset trust vehicles has been established. The restructuring plan was approved and is expected to be implemented in the fourth quarter of 2008. The restructuring plan will involve the conversion of the asset-backed commercial paper into medium term notes. The ratings of the medium term notes received in exchange for the asset-backed commercial paper will vary depending on each note's underlying assets and related security. Due to the uncertainty involved in estimating the amount and timing of cash flows associated with this investment, Alliance Canada has incorporated a discounted cash flow approach to estimate the investment's fair value using the best information currently available. As a result, the Fund recognized a fair value discount of \$0.4 million in 2007 and \$0.8 million in the first quarter of 2008. This estimate of fair value may differ from the actual fair value that will be realized. The carrying value of the Fund's 50% share of the investment is \$5.0 million.

**5. CONTRACTUAL OBLIGATIONS**

At September 30, 2008, the Fund had commitments of US\$0.6 million relating to the purchase of compressor equipment at Alliance Canada, \$1.9 million related to the completion of NRGreen's new waste facilities as well as \$1.2 million in purchase commitments on the Saskatchewan System.

On March 31, 2008, Alliance Canada signed a contractual services agreement for maintenance of its compressor equipment which expires in December 2015. Under the agreement, Alliance Canada is committed to base monthly payments of US\$498,905 and €230,491. These fees may escalate each year based on an indexed price escalation formula.

**6. SUBSEQUENT EVENTS**

**Distribution by the Fund**

On October 15, 2008, the Fund paid monthly cash distributions of \$0.086 per ordinary trust unit. A cash distribution of \$0.086 per unit was also paid on the same date on the subordinated trust units and the ECT preferred units.

On October 20, 2008, the Fund declared a monthly cash distribution of \$0.086 per ordinary trust unit to unitholders of record on October 31, 2008, which is payable on November 14, 2008. The Fund also declared a distribution of \$0.086 per unit on the same date on the subordinated trust units and the ECT preferred units.

On November 3, 2008, the Board of Trustees of the Fund approved an 11.6% increase in regular monthly distributions, on the Fund's trust units and the ECT preferred units. This increase is effective for 2009 distributions.