

AMALGAMATED INCOME LIMITED PARTNERSHIP
(A Limited Partnership)

Consolidated Financial Statements

June 30, 2009

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim consolidated financial statements have been prepared by management.

The Partnership's independent auditors have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

AMALGAMATED INCOME LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS

| | June 30 2009 \$ <i>(unaudited)</i> | December 31 2008 \$ <i>(audited)</i> |
|--|---|---|
| ASSETS | | |
| Cash and cash equivalents | 6,780,668 | 2,936,357 |
| Distributions receivable | 27,364 | 481,813 |
| Investments, at fair value | 5,435,267 | 10,157,912 |
| | 12,243,299 | 13,576,082 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 26,906 | 97,422 |
| Debentures | - | 370,000 |
| Distributions payable | 342,844 | 336,200 |
| | 369,750 | 803,622 |
| PARTNERSHIP CAPITAL | | |
| Limited partners | 11,784,920 | 12,729,489 |
| Contributed surplus | 88,629 | 42,971 |
| | 11,873,549 | 12,772,460 |
| | 12,243,299 | 13,576,082 |

Contingencies (*Note 1, 7*)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

APPROVED ON BEHALF OF THE LIMITED PARTNERSHIP
 BY THE DIRECTORS OF AMALGAMATED GENERAL PARTNER LTD.

"Elias Foscolos"

 Elias Foscolos, Director

"Michael Charlton"

 Michael Charlton, Director

AMALGAMATED INCOME LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF INCOME

| | Three Months | | Six Months | |
|--|------------------|-------------|------------------|-------------|
| | June 30 | | June 30 | |
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| INVESTMENT REVENUES | | | | |
| Distributions from: | | | | |
| Mutual Fund Limited Partnerships and Notes | 28,219 | 80,171 | 62,127 | 159,112 |
| Financial Services | 55,686 | 350,335 | 189,387 | 858,646 |
| Real Estate Limited Partnerships | 19,558 | 6,402 | 19,558 | 108,987 |
| Marketable Securities | 66,650 | 100,086 | 188,671 | 134,276 |
| | 170,113 | 536,994 | 459,743 | 1,261,021 |
| EXPENSES | | | | |
| Management and director fees (Note 4) | 69,591 | 93,324 | 150,509 | 159,886 |
| Audit, legal and transfer fees | 113,975 | 26,200 | 164,275 | 59,224 |
| Interest expense | 6,160 | 42,843 | 13,983 | 68,073 |
| Office and sundry (Note 4) | 28,091 | 30,498 | 54,923 | 47,863 |
| Regulatory | 8,264 | 1,315 | 44,296 | 31,799 |
| Unit-based compensation (Note 6) | 9,829 | 9,829 | 45,658 | 19,658 |
| | 235,910 | 204,009 | 473,644 | 386,503 |
| NET INVESTMENT INCOME (LOSS) | (65,797) | 332,985 | (13,901) | 874,518 |
| OTHER ADDITIONS (DEDUCTIONS) | | | | |
| Amortization of Mutual Fund Limited Partnerships and Notes | 4,096 | (38,111) | 427,659 | (156,917) |
| Realized (loss) gain on sale (redemption) of Mutual Fund Limited Partnerships | (19,050) | 72 | (499,306) | 1,868 |
| Unrealized loss in value of Financial Services | (30,000) | - | (30,000) | (130,000) |
| Unrealized gain in value of marketable securities | 509,452 | 345,040 | 1,389,245 | 268,708 |
| Realized gain (loss) on sale of marketable securities | (140,961) | 152,248 | (992,499) | 143,199 |
| Unrealized gain in value of Real Estate Limited Partnerships | - | 81,600 | - | 108,991 |
| Realized gain on sale of Real Estate Limited Partnerships | - | 216,360 | 9,322 | 216,360 |
| General Partner fees (Note 4) | (18,859) | (17,559) | (39,393) | (35,343) |
| | 304,678 | 739,650 | 265,028 | 416,866 |
| NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD | 238,881 | 1,072,635 | 251,127 | 1,291,384 |
| WEIGHTED AVERAGE UNITS OUTSTANDING | 3,169,242 | 2,994,557 | 3,176,555 | 2,994,305 |
| BASIC AND DILUTED NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD PER UNIT | \$ 0.08 | \$ 0.36 | \$ 0.08 | \$ 0.43 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

AMALGAMATED INCOME LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF PARTNERSHIP CAPITAL

| | General Partner | Limited Partners | Six Months June 30 | |
|---|--------------------|---------------------|-----------------------|-------------|
| | | | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| PARTNERSHIP CAPITAL, Beginning of Period | - | 12,729,489 | 12,729,489 | 18,599,251 |
| NET INCOME | - | 251,127 | 251,127 | 1,291,384 |
| PARTNER TRANSACTIONS | | | | |
| Proceeds from exercise of options | - | 45,570 | 45,570 | - |
| Repurchases under Normal Course Issuer Bid | - | (78,935) | (78,935) | (154,697) |
| Distributions to limited partners | - | (1,162,331) | (1,162,331) | (1,079,196) |
| Proceeds from Distribution Reinvestment Plan | - | - | - | 366,049 |
| Unit issue costs | - | - | - | (10,522) |
| | - | (944,569) | (944,569) | 413,018 |
| PARTNERSHIP CAPITAL, End of Period | - | 11,784,920 | 11,784,920 | 19,012,269 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

AMALGAMATED INCOME LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months | | Six Months | |
|--|------------------|--------------------|------------------|--------------------|
| | June 30 | | June 30 | |
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net investment income | (65,797) | 332,985 | (13,901) | 874,518 |
| Unit-based compensation | 9,829 | 9,829 | 45,658 | 19,658 |
| General partner fees (Note 4) | (18,859) | (17,559) | (39,393) | (35,343) |
| | (74,827) | 325,255 | (7,636) | 858,833 |
| Proceeds on sale/repayment of: | | | | |
| Mutual Fund Limited Partnerships and Notes | 3,276 | 5,653 | 135,487 | 22,089 |
| Financial Services | 560,178 | 2,788,074 | 1,813,825 | 2,788,074 |
| Real Estate Limited Partnerships | - | 670,000 | 9,322 | 703,048 |
| Marketable Securities | 3,041,467 | 1,794,173 | 7,532,511 | 1,943,743 |
| Acquisition of: | | | | |
| Mutual Fund Limited Partnerships and Notes | - | (155) | - | (9,003) |
| Financial Services | - | (650,000) | (1,170,663) | (1,512,000) |
| Real Estate Limited Partnerships | (25,423) | (117,600) | (25,423) | (170,400) |
| Marketable Securities | (351,890) | (10,940,249) | (3,267,993) | (12,539,181) |
| Net change in non-cash working capital items | 40,513 | 169,324 | 390,577 | 1,031,076 |
| | 3,193,294 | (5,955,525) | 5,410,007 | (6,883,721) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Proceeds from exercise of options (Note 5) | - | - | 45,570 | - |
| Repurchases under Normal Course Issuer Bid | (13,205) | (88,323) | (78,935) | (154,796) |
| Repayment of debentures | - | - | (370,000) | - |
| Distributions to limited partners | (585,921) | (540,519) | (1,162,331) | (1,079,196) |
| Proceeds from Distribution Reinvestment Plan | - | 355,178 | - | 366,049 |
| Proceeds on issuance of debentures | - | - | - | 230,000 |
| Unit issue costs | - | - | - | (10,423) |
| | (599,126) | (273,664) | (1,565,696) | (648,366) |
| Increase (decrease) in cash and cash equivalents for period | 2,594,168 | (6,229,189) | 3,844,311 | (7,532,087) |
| Cash and cash equivalents, beginning of period | 4,186,500 | (307,155) | 2,936,357 | 995,743 |
| Cash and cash equivalents, end of period | 6,780,668 | (6,536,344) | 6,780,668 | (6,536,344) |
| SUPPLEMENTARY INFORMATION | | | | |
| Interest paid | 6,160 | 32,535 | 13,983 | 44,159 |
| Cash and Cash Equivalents made up of: | | | | |
| Balances with banks and brokerages held directly | 6,625,414 | 194,647 | 6,625,414 | 194,647 |
| Balances with banks held by subsidiaries | 155,254 | 55,447 | 155,254 | 55,447 |
| | 6,780,668 | 250,094 | 6,780,668 | 250,094 |
| Line of credit | | | | |
| Brokerage margin | - | (6,786,438) | - | (6,786,438) |
| | 6,780,668 | (6,536,344) | 6,780,668 | (6,536,344) |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

AMALGAMATED INCOME LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO

| Number of Units | Issuer Name | Description | June 30, 2009 | |
|--|---|---------------------------|--|--|
| | | | Average Cost \$ (<i>unaudited</i>) | Fair Value \$ (<i>unaudited</i>) |
| MUTUAL FUND LIMITED PARTNERSHIPS ("LP") AND NOTES | | | | |
| | Acuity Funds Ltd. | Non-exchange listed | <i>Note 8</i> | 152,154 |
| | Other | | | 130,330 |
| | | | | 282,484 |
| FINANCIAL SERVICES | | | | |
| | Asset Based Financing (no expiry date) | Non-exchange listed | 1,074,176 | 1,074,176 |
| | Commercial Loan (expires Jul 2009) | Non-exchange listed | 588,000 | 588,000 |
| | Residential Mortgage (expires Aug 2009) | Non-exchange listed | 393,617 | 393,617 |
| | Bridge Loan (expires Aug 2009) | Non-exchange listed | 366,616 | 366,616 |
| | Commercial Loan (expires Aug 2009) | Non-exchange listed | 189,850 | 189,850 |
| | Commerical Loan (in default) (Note 7) | Non-exchange listed | 600,000 | 160,000 |
| | Bridge Loan (in default) (Note 7) | Non-exchange listed | 1,062,000 | 130,000 |
| | Commercial Loan (expires Jul 2009) | Non-exchange listed | 22,483 | 22,483 |
| | | | 4,296,742 | 2,924,742 |
| REAL ESTATE LIMITED PARTNERSHIPS | | | | |
| 253,193 | Paddington Properties LP | Non-exchange listed | 595,384 | 511,471 |
| 855 | Banff Rocky Mountain Resort LP | Non-exchange listed | 146,740 | 146,740 |
| | Other | Non-exchange listed | 38,215 | 111,740 |
| | | | 780,339 | 769,951 |
| MARKETABLE SECURITIES | | | | |
| 406,900 | Cdn Income Mgt - Debenture | Exchange listed debenture | 302,022 | 244,140 |
| 134,305 | Drive Products Income Fund | Exchange listed unit | 372,949 | 169,224 |
| 145,000 | True Energy Corp - Debenture | Exchange listed debenture | 100,882 | 109,475 |
| 169,000 | Harvest Energy - Debenture E | Exchange listed debenture | 155,914 | 109,005 |
| 164,000 | Royal Host D - Debenture | Exchange listed debenture | 145,149 | 103,320 |
| 194,000 | Holloway Lodging - Debenture | Exchange listed debenture | 169,629 | 88,173 |
| 1,000,000 | Rockwell Diamonds | Exchange listed share | 321,043 | 45,000 |
| 43,250 | BNP Resources - B | Exchange listed share | 160,219 | 15,138 |
| 67,503 | Action Energy Inc. | Exchange listed share | 188,616 | 7,088 |
| | Other | | 636,730 | 567,527 |
| | | | 2,553,153 | 1,458,090 |
| TOTAL | | | | 5,435,267 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

AMALGAMATED INCOME LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2009

1. ORGANIZATION OF THE PARTNERSHIP AND GOING CONCERN

Amalgamated Income Limited Partnership ("Amalgamated" or the "Partnership") is a limited partnership registered under the Partnership Act (British Columbia) on November 18, 1994. The business of the Partnership consists of investing in and acquiring income generating securities, assets or businesses and holding, managing, reorganizing and disposing of such investments with a view to making a profit. Amalgamated General Partner Ltd. (the "General Partner"), a corporation incorporated under the laws of the province of British Columbia, is responsible for the management of the Partnership on a day-to-day basis in accordance with the terms of the partnership agreement. The General Partner may engage agents to assist in carrying out its management obligations to the Partnership. For the services rendered by the General Partner, the General Partner is entitled to 0.01% of the annual net income of the Partnership and an annual fee equal to 3.25% of all distributions. In addition, the General Partner is entitled to be reimbursed by the Partnership for all direct costs and expenses incurred on the Partnership's behalf. Amalgamated was listed on the Montreal Stock Exchange from October 2, 1995 to December 5, 1999 and thereafter was listed on the Toronto Stock Exchange (AI.UN-TSX).

As a result of a meeting of limited partners on June 19, 2009, a termination date of the Partnership was approved of December 15, 2010. Management estimates that future obligations associated with the wind-up and dissolution of Amalgamated to be approximately \$900,000 to \$1,200,000 for the period from June 19, 2009 to the final wind-up date of December 15, 2010. These amounts have not been accrued for in the unaudited interim consolidated financial statements but will be recorded as incurred. Management believes that the unaudited interim consolidated financial statements have been prepared within reasonable limits of materiality and within the framework of accounting policies summarized below, which were applied for the six months ended June 30, 2009. These unaudited interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Partnership will realize the carrying value of its investments upon wind-up and satisfy its obligations as they become due in the normal course of operations. The application of the going concern concept is dependent on the Partnership's ability to realize the net realizable value of the remaining investments. A failure to continue as a going concern would then require that stated amounts of assets and liabilities be reflected on a liquidation basis which could differ significantly from the going concern basis. These unaudited interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities were the Partnership unable to continue its operations.

Management of Amalgamated is working to sell the Partnership's assets on an orderly basis and distribute the cash or provide in-kind distributions of the remaining assets prior to December 15, 2010. The final net realizable amount will depend on various factors including the performance of the Partnership's investments and the final wind-up date; outcome of the contingent liability as discussed under *Note 7 Contingencies*; and the level of distributions between June 30, 2009 and the final distribution date. Management estimates that any income earned between June 30, 2009 and the final distribution date will be sufficient to cover general and administrative expenses but would not be sufficient to fund distributions at the current level without eroding capital.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for unaudited interim consolidated financial statements. The accounting principles and methods of computation adopted in these unaudited interim consolidated financial statements are the same as those of the unaudited interim consolidated financial statements for the year ended December 31, 2008. However, these unaudited interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto, for the year ended December 31, 2008.

The unaudited interim consolidated financial statements of the Partnership include the accounts of Amalgamated and its two wholly owned subsidiaries: Multi-fund Income Trust ("Multi-fund") and Quick Draw Mortgages Ltd. ("Quick Draw").

AMALGAMATED INCOME LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2009

3. DISTRIBUTIONS TO LIMITED PARTNERS

The Partnership is currently paying distributions on a monthly basis to its limited partners. The limited partners of record on the record date, currently anticipated to be on or about the end of each month in which a distribution is declared, will receive the cash distribution. Unlike income trusts, distributions from the Partnership do not form the basis on which the limited partners are taxed. The income or loss from the Partnership is allocated based on the limited partners of record on December 31 which is independent from the payment of distributions during the year. Therefore, it is very likely that the taxable income to be reported by a limited partner will be different from the amount of cash distributions received.

4. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2009, the following related party transactions occurred and are recorded at the exchange amount which is the amount of consideration paid or received as established and agreed to by related parties:

- Amalgamated General Partner Ltd. (the "General Partner"), a company owned by Messrs. Elias Foscolos, Bruce Mitchell, and Michael Charlton was paid \$39,393 (\$35,343 for the six months ended June 30, 2008) pursuant to the terms of its agreement with Amalgamated to act as a general partner. Under this agreement, the General Partner is entitled to 0.01% of the annual net income of the Partnership and a fee equal to 3.25% of distributions to limited partners. In addition, the General Partner may engage agents to assist in carrying out its management and administrative functions to Amalgamated and its subsidiaries. The following entities have been engaged by the General Partner to provide these functions:
 - o GBH Consulting Group Limited ("GBH"), a company controlled by Chris Boatman (Chairman of the board, director of the General Partner, and CEO) was paid fees of \$6,000 for the six months ended June 30, 2009 (\$551 for the six months ended June 30, 2008) for administrative and management services provided by Mr. Chris Boatman. As at June 30, 2009, \$nil of this amount was included in accounts payable (\$nil as at June 30, 2008);
 - o Accretive Financial Corp. ("Accretive"), a company controlled by Mr. Elias Foscolos (President, CFO, director, and shareholder of the General Partner) was paid fees of \$115,468 for the six months ended June 30, 2009 (\$114,280 for the six months ended June 30, 2008) for administrative services which included the professional services of Mr. Foscolos and other support staff, and \$14,112 for office space (\$15,734 for the six months ended June 30, 2008). As at June 30, 2009, \$16,000 of these amounts were included in accounts payable (\$26,916 as at June 30, 2008);
- Multi-fund had \$1,074,176 invested with Acorn Partners Merchant Bankers ("Acorn") as Asset Based Financing (\$1,804,121 as at December 31, 2008). Mr. Andy Chen, director of Amalgamated, is a senior account manager with Acorn and also has a minor equity position in Acorn. Mr. Chen has abstained from any Amalgamated board of director votes to invest with Acorn and is not involved in the day-to-day investment decisions of the management of Amalgamated; and
- The Partnership lent \$22,483 (\$nil as at December 31, 2008) as a commercial loan that expires in July 2009 to an entity with similar officers and directors.

AMALGAMATED INCOME LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2009

5. LIMITED PARTNERSHIP UNITS

The capital of the Partnership is composed of a single class of Limited Partnership Units (“Units”) with the following characteristics:

- (a) The amount contributed or deemed to be contributed to the capital of the Limited Partnership as consideration for the issuance of Units is the sum or sums determined by the General Partner from time to time;
- (b) The number of authorized Limited Partnership Units is unlimited but subject to regulatory approval; and
- (c) Each unit shall have one vote at any meeting of partners.

A summary of the changes in limited partnership units outstanding is as follows:

| | Three Months Ended June 30 | | Six Months June 30 | |
|--|---------------------------------------|------------------|-------------------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Beginning of period | 3,171,362 | 2,988,083 | 3,178,062 | 2,998,697 |
| Exercise of options | - | - | 21,000 | - |
| Repurchases under Normal Course Issuer Bid | (4,900) | (18,300) | (32,600) | (30,700) |
| Distribution reinvestment and optional purchase plan | - | 76,998 | - | 78,784 |
| End of period | 3,166,462 | 3,046,781 | 3,166,462 | 3,046,781 |

During the six months ended June 30, 2009, 32,600 units were repurchased under a Normal Course Issuer Bid for proceeds of \$78,935 (30,700 units for \$154,697 during the six months ended June 30, 2008) and 21,000 units were issued upon exercise of 21,000 options for proceeds of \$45,570 (\$nil during the six months ended June 30, 2008).

AMALGAMATED INCOME LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2009

6. LIMITED PARTNERSHIP UNIT INCENTIVE PLAN

A summary of the changes in incentive units outstanding under the Incentive Plan is as follows:

| | Six Months Ended June 30 | | | |
|----------------------------|-------------------------------------|--|--------------------|--|
| | 2009 | | 2008 | |
| | Number of Units | Weighted Average Exercise Price \$ | Number of Units | Weighted Average Exercise Price \$ |
| Beginning of period | 277,300 | 6.18 | 173,300 | 7.22 |
| Granted | 39,000 | 2.17 | 113,000 | 5.40 |
| Exercised/Expired | (70,000) | 4.77 | - | - |
| End of period | 246,300 | 5.77 | 286,300 | 6.20 |
| Exercisable, end of period | 196,100 | 5.89 | 119,400 | 6.51 |

Of the 246,300 incentive units outstanding, 67,000 units will expire in 2010, 20,000 units in 2011, 51,300 units in 2012, 90,000 units in 2013, and 18,000 units in 2014.

7. CONTINGENCIES

The Partnership has been named as a defendant in a lawsuit brought against it by a former president of the General Partner. The dispute involves an amount of approximately \$1,400,000 plus interest and costs. On July 30, the supreme court of British Columbia determined that the former president was entitled to damages of approximately \$166,000. In a separate counterclaim the court determined that Amalgamated was entitled to damages of approximately \$243,000 from the former president. The decision is open for appeal by either party until August 28, 2009. No amounts have been recorded in these unaudited interim consolidated financial statements relating to either damages and the damages may be offset. The same individual has brought a second action against the General Partner.

As at June 30, 2009, the Partnership had a bridge loan outstanding with a face value of \$1,062,000 (fair value of \$130,000) and a commercial loan outstanding with a face value of \$600,000 (fair value of \$160,000). The borrowers in both cases have defaulted on these loans and the Partnership is currently in the process of realizing on the security pledged which consists of real property, and personal and corporate guarantees. The Partnership has written the fair value of these loans down to what management expects to recover from the security pledged.

8. INVESTMENTS

As the Partnership invests in Mutual Fund Limited Partnerships and Notes that are depleting (distributions are a combination of income and capital), the cost of these investments was not a meaningful measure of the performance of the investments.

AMALGAMATED INCOME LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2009

9. FINANCIAL RISK MANAGEMENT

a. Overview

The Partnership has exposure to credit risk, liquidity risk and market risk. The General Partners' board of directors has overall responsibility for the establishment and oversight of the Partnership's risk management framework.

b. Credit risk

Credit risk is the risk of financial loss to the Partnership if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Partnership's distributions receivables. The carrying amount of financial assets represents the maximum credit exposure.

The Partnership is subject to credit risk on its distributions receivable. The Partnership has never had any problems in collecting its distributions receivables and any adjustments to its receivables results from changes to estimates made prior to actual distribution amounts being disclosed.

The Partnership is also subject to credit risk on its Financial Services investments. These investments are comprised of bridge loans, real estate loans, and other financial instruments to borrowers, mainly in Alberta and British Columbia, in a number of industries. The Partnership mitigates its credit risk by placing only a portion of its investments in financial services, diversifying its financial services among various borrowers in different industries, and obtaining what is determined to be sufficient security at the time to back the loans.

c. Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they fall due. The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses.

As at June 30, 2009, the Partnership had financial assets of \$12,243,299 and \$369,750 of financial liabilities compared to \$13,576,082 of financial assets and \$433,622 of financial liabilities as at December 31, 2008. In addition, the Partnership had no brokerage margin and no debentures which compared to no brokerage margin and \$370,000 of debentures as at December 31, 2008.

The Partnership manages its liquidity risk by continuously monitoring forecasted cash flows and the value of underlying investments provided as security for the credit facilities.

d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, debenture values, and equity prices will affect the Partnership's income or value of its financial instruments. The Partnership invests solely in Canadian dollars and therefore is not exposed to currency risk.

The Partnership invests in Financial Services investments with various terms. All Financial Services investments have fixed rates of interest except for the Asset Based Financing of \$1,074,176 whose rate of return is dependent on risk and repayment terms. A 1% increase (decrease) in the rate would result in an increase (decrease) in the net loss for the Partnership for the six months ended June 30, 2009 of \$5,371. This analysis assumes that all other variables remain constant and the Asset Based Financing of \$1,074,176 is outstanding for the entire period.

AMALGAMATED INCOME LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2009

9. FINANCIAL RISK MANAGEMENT *(continued)*

e. Fair value of financial instruments

The Partnership has determined the fair values of its financial instruments as follows:

- i. The fair values in the consolidated balance sheet of cash and cash equivalents, distributions receivable, distributions payable, and accounts payable and accrued liabilities approximate carrying amounts because of the short-term nature of these instruments.
- ii. The fair value of investments was calculated based on the accounting policies discussed in note 2 to the audited consolidated financial statements for the year ended December 31, 2008.

10. CAPITAL MANAGEMENT

The Partnership's objective is to maintain access to diverse and cost-effective sources of capital with which to finance its investment program. The Partnership maintains a capital structure of permanent equity and lower cost debt (brokerage margin and debentures) when deemed necessary.

The Partnership manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying investments. The Partnership will balance its overall capital structure through new unit issues, unit repurchases, issuance of debentures, use of brokerage margin, repayment of debt or by undertaking other activities as deemed appropriate in the specific circumstances.

For 2009, the Partnership's objective with regards to capital management is to repurchase its units which management believes will enhance the value of the Partnership and to repay existing brokerage margin and debentures as the Partnership moves towards a wind-up by December 15, 2010.

The Partnership's credit facilities (brokerage margin and debentures) include customary positive and negative covenants that can be categorized as externally imposed capital requirements. As at June 30, 2009, the Partnership was in compliance with all its obligations under its credit facilities.

The total capital as at June 30, 2009 and December 31, 2008 was calculated as follows:

| | June 30 2009 | | December 31 2008 | |
|----------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|
| | Carrying Amount \$ | As a Percentage of Capital | Carrying Amount \$ | As a Percentage of Capital |
| Debentures | - | 0.0% | 370,000 | 2.8% |
| Partnership Capital | 11,873,549 | 100.0% | 12,772,460 | 97.2% |
| Total Capital | 11,873,549 | 100.0% | 13,142,460 | 100.0% |

Total capital has decreased between December 31, 2008 and June 30, 2009 due mainly to the repayment of \$370,000 of debentures and distributions paid to limited partners of \$1,162,331 for the six months ended June 30, 2009.

AMALGAMATED INCOME LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2009

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to presentation adopted for the current period.