



**HIGHER VOLUME THAN THE COMPARABLE QUARTER OF LAST YEAR.  
YEAR-TO-DATE ADJUSTED DISTRIBUTABLE CASH HIGHER THAN  
THE COMPARABLE PERIOD OF LAST YEAR.**

*Message to Unitholders: On behalf of the Board of Trustees, I am pleased to present the unaudited consolidated financial results of Rogers Sugar Income Fund (the "Fund") for the three and nine months ended June 30, 2010.*

Volume for the third quarter was 180,462 metric tonnes, as opposed to 167,612 metric tonnes in the comparable quarter of last year, an increase of approximately 12,800 metric tonnes. Year-to-date volume of 489,978 metric tonnes is approximately 23,100 metric tonnes lower than last year. Third quarter export volume was higher by approximately 15,900 metric tonnes due to U.S. exports even though no special U.S. quotas were opened. As a result of high U.S. refined sugar prices, combined with lower world raw sugar values, the Fund can absorb the high tier U.S. duty on refined sugar of approximately \$360.00 per metric tonne, and can still generate a positive contribution. Year-to-date export volume is 2,600 metric tonnes lower than last year due to the opening of special quotas early in fiscal 2009. Liquid volume decreased by approximately 5,000 metric tonnes for the quarter and 15,100 metric tonnes year-to-date due to loss of HFCS substitutable business. Consumer volume was higher by 2,800 metric tonnes for the quarter due to the recapture of a major account in April 2010, but remains lower by 1,500 metric tonnes year-to-date. Industrial volume was lower by 900 metric tonnes due mainly to timing in deliveries, while year-to-date volume was 3,900 metric tonnes lower than last year due to a reduction in the production of sugar containing products in Canada.

Due to the accounting policies for derivative financial instruments, the Fund's operating results may be subject to significant fluctuations. These fluctuations are due to the mark-to-market of all derivative financial instruments and embedded derivatives in non-financial instruments at the end of the reporting period. This accounting income does not represent a complete understanding of factors and trends affecting the business. We therefore prepared adjusted gross margin and adjusted earnings results to reflect the performance of the Fund during the reporting period. These adjusted results are comparable to the adjusted results reported in previous periods. All these non-GAAP adjustments are explained in detail in the Management's Discussion and Analysis prepared for the quarter ended June 30, 2010. We will therefore discuss adjusted gross margins, which reflect the operating income without the impact of the mark-to-market of derivative financial instruments and embedded derivatives in non-financial instruments. At the end of the third quarter, a net negative adjustment of \$4.6 million before income taxes was recorded due to a mark-to-market loss, thus reducing earnings before income taxes by that amount. Year-to-date, a mark-to-market net loss adjustment of \$28.7 million before income taxes was recorded due mainly to the decline in the price of world raw sugar that occurred earlier this year. These mark-to-market charges are also adjusted in distributable cash.

For the quarter, adjusted gross margin decreased by approximately \$3.1 million, when compared to the same quarter of last year. On a per metric tonne basis, adjusted gross margin was \$117.56 as compared to \$145.10 for the comparable quarter of last year. The decrease in the gross margin rate is due mainly to a different sales mix with export volume to the U.S. for which a substantial U.S. duty is absorbed, thus decreasing overall margin rates. Year-to-date adjusted gross margin rate was \$129.11 compared to \$133.20 in fiscal 2009. The decrease in the year-to-date adjusted gross margin rate is due mainly to sales mix, combined with the adjustment mentioned above.

Adjusted EBIT of \$14.2 million was \$2.3 million lower when compared to the same quarter last year due to the lower gross margin rate slightly offset by lower administration and distribution costs. Year-to-date adjusted EBIT of \$43.3 million was \$1.0 million higher than last year due to the lower distribution costs incurred this year. Additional distribution costs of approximately \$5.0 million were incurred in the first three quarters of fiscal 2009 due to large shipments to the U.S. against special U.S. sugar quotas.

For the quarter, adjusted distributable cash was \$12.2 million, as compared to \$15.0 million in fiscal 2009. Year-to-date adjusted distributable cash was \$38.1 million, an increase of \$0.7 million from last year's comparable period. The decrease in the third quarter is due mainly to lower operating performance and the payment of \$2.4 million in financing fees on the issuance of the Fourth series convertible debentures during the quarter. Year-to-date distributable cash was higher due to the higher profitability at the operational level. The Fund distributed \$10.0 million during the third quarter, and \$30.1 million year-to-date.

To date, approximately 40,000 metric tonnes of refined sugar have been sold to U.S. manufacturers for delivery during fiscal 2010. This unexpected sales opportunity was as a result of continued high refined sugar prices in the U.S., combined with a significant decline in world raw sugar values. Due to the considerable difference between the U.S. refined sugar prices and world raw sugar values, Lantic was able absorb the high tier U.S. duty on refined sugar, of approximately \$360.00 per metric tonne, and still generate a positive contribution to gross margins.

On April 8, 2010, the Fund issued Fourth series, 5.70% convertible unsecured subordinated debentures, maturing on April 30, 2017. Net proceeds of \$47.6 million, combined with available cash reserves, were used to redeem the 6.0% Second series convertible unsecured subordinated debentures on June 29, 2010. As a result of this transaction, the Fund was able to extend the term of the debentures being redeemed for a further five years at a lower rate of interest.

During the quarter, a new three-year agreement was signed, at competitive market rates, with the unionized employees of the Vancouver refinery, replacing the labour agreement that expired in February 2010.

Management of Lantic and the Board of Trustees of the Fund continue to work on a plan to convert from the current income trust structure to a more conventional corporate structure. This conversion is expected to be effective as of January 1, 2011, in order to allow the current Unitholders of the Fund to maximize the benefits of the current income trust structure. The current intention is to pay quarterly dividends of approximately \$0.085 per share, in order to maintain cash dividends to shareholders of the converted structure at levels that would provide an after-tax distribution equivalent to that currently enjoyed by our taxable Canadian Unitholders. The amount of dividends paid following the conversion will be at the discretion of our Board, and will be evaluated quarterly and may be revised subject to business circumstances and expected capital requirements depending on, among other things, earnings and other conditions existing from time to time.

FOR THE BOARD OF TRUSTEES,

(s) Stuart Belkin  
Stuart Belkin, Chairman  
Montréal, Québec – August 3, 2010

*For further information:*  
*Mr. Dan Lafrance, SVP Finance, CFO and Secretary*  
*Tel: (514) 940-4350 Fax: (514) 527-1610 - Visit our Website at [www.Lantic.ca](http://www.Lantic.ca)*

## MANAGEMENTS' DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements and notes thereto in this quarterly report. The quarterly consolidated financial statements and any amounts shown in this MD&A were not audited by our external auditors.

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with generally accepted accounting principles (GAAP), with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with GAAP. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting our business.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the MD&A.

This report contains certain forward-looking statements which reflect the current expectations of the Fund and Lantic Inc., (collectively the "Company") with respect to future events and performance. Wherever used, the words "may," "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at which, such performance or results will be achieved. Forward-looking statements are based on information available at the time they are made, assumptions made by management, and management's good faith belief with respect to future events, and are subject to the risks and uncertainties outlined in this report that could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.

Additional information relating to the Fund and Lantic Inc., including the Annual Information Form, Quarterly and Annual reports and supplementary information is available on SEDAR at [www.sedar.com](http://www.sedar.com).

This Management's Discussion and Analysis is dated August 3, 2010.

## Internal controls disclosure

In accordance with Regulation 52-109 respecting certification of disclosure in issuers' interim filings, the Chief Executive Officer and Chief Financial Officer have designed or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) information required to be disclosed by the Company in its quarterly filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer in a timely manner.

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In addition, the Chief Executive Officer and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and the Chief Financial Officer have evaluated whether or not there were any changes to its ICFR during the three month period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR. No such changes were identified through their evaluation.

### Results of operations

Consolidated Results (In thousands of dollars, except for volume and per trust unit information)	For the three months ended June 30		For the nine months ended June 30	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Volume (metric tonnes)	180,462	167,612	489,978	513,044
Revenues	\$ 156,302	\$ 128,478	\$ 443,609	\$ 388,724
Gross margin	17,335	28,236	34,402	52,234
Administration and selling	4,794	5,306	13,968	14,800
Distribution	2,054	2,381	5,593	10,912
Depreciation and amortization	125	102	410	300
Earnings before interest and provision for income taxes (EBIT)	\$ 10,362	\$ 20,447	\$ 14,431	\$ 26,222
Interest, net of interest income and other charges	4,654	1,084	10,856	13,652
(Recovery of) provision for income taxes	(1,380)	2,411	(7,929)	(5,963)
Net earnings	\$ 7,088	\$ 16,952	\$ 11,504	\$ 18,533
Net earnings per trust unit – basic	\$ 0.08	\$ 0.19	\$ 0.13	\$ 0.21

In the normal course of business, the Fund uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Fund’s operating company sells refined sugar to some clients in US dollars. These sales contracts are viewed as having an embedded derivative if the functional currency of the customer is not US dollars, the embedded derivative being the source currency of the transaction, U.S. dollars. Derivative financial instruments and embedded derivatives are marked-to-market at each reporting date, with the unrealized gain/loss charged to the consolidated statement of operations with a corresponding offsetting amount charged to the balance sheet.

Management believes that the Fund’s financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the unrealized gains/losses from financial derivative instruments and from embedded derivatives for which adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement.

Management uses the non-GAAP adjusted results of the operating company to measure and evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performances to our past results. Management also uses adjusted gross margin, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, the Fund’s Board of Trustees, analysts, investors, banks and other interested parties.

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The results of operations would therefore need to be adjusted by the following:

Income (loss) (In thousands)	For the three months ended June 30		For the nine months ended June 30	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Mark-to-market adjustment (excluding interest swap)	\$ 10,754	\$ 2,988	\$ (15,322)	\$ (19,559)
Cumulative timing differences	(14,634)	928	(13,538)	3,453
Total adjustment to cost of sales	\$ (3,880)	\$ 3,916	\$ (28,860)	\$ (16,106)

A significant part of the above mark-to-market adjustment relates to raw sugar and natural gas. There were significant variations in the world raw sugar values in fiscal 2010. As a result, a \$4.8 million gain was recorded this quarter, while year-to-date a loss of \$15.3 million was recorded due to these price fluctuations. The Fund has hedged in previous years a substantial portion of its natural gas needs, up to fiscal 2013. This commodity declined during the year, and as a result, \$0.3 million loss was recorded this quarter for a year-to-date loss of \$3.9 million. Foreign exchange forward contracts and embedded derivatives on which foreign exchange movements have an impact, had a combined mark-to-market gain of \$6.3 million and of \$3.9 million for the quarter, and year-to-date respectively.

The above mark-to-market adjustments are further adjusted by accumulated timing impact in the recognition of liquidation gain or loss for sugar inventories for sales and purchase contracts, for natural gas futures swaps and options, and for foreign exchange futures, to arrive to the total adjustment to cost of sales.

In addition, the Fund recorded a mark-to-market loss of \$0.7 million for the quarter, and a gain of \$0.2 million year-to-date, on the mark-to-market of an interest swap under short-term interest expense as a result of movement in overall interest rates.

Therefore, the total adjustment to net earnings before income taxes and distributable cash for the quarter was \$4.6 million, and \$28.7 million year-to-date.

The adjusted financial information (non-GAAP reconciliation) is as follows:

Consolidated Results (In thousands except per trust unit information)	For the three months ended June 30		For the nine months ended June 30	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Gross margin as per financial statements	\$ 17,335	\$ 28,236	\$ 34,402	\$ 52,234
Adjustment as per above	3,880	(3,916)	28,860	16,106
Adjusted gross margin	21,215	24,320	63,262	68,340
EBIT as per financial statements	10,362	20,447	14,431	26,222
Adjustment as per above	3,880	(3,916)	28,860	16,106
Adjusted EBIT	14,242	16,531	43,291	42,328
Net earnings as per financial statements	7,088	16,952	11,504	18,533
Adjustment as per above	3,880	(3,916)	28,860	16,106
Adjustment for mark-to-market of interest swap	739	(2,216)	(176)	3,649
Future taxes (recovery) expense on above	(556)	1,758	(7,613)	(5,627)
Adjusted net earnings	\$ 11,151	\$ 12,578	\$ 32,575	\$ 32,661

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Net earnings per trust unit basic, as per financial statements	\$	0.08	\$	0.19	\$	0.13	\$	0.21
Adjustment for the above		0.05		(0.05)		0.24		0.16
Adjusted net earnings per trust unit basic	\$	0.13	\$	0.14	\$	0.37	\$	0.37

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Third quarter volume increased by approximately 12,800 metric tonnes from the comparable quarter in fiscal 2009. The increase is due mainly to higher export and consumer volumes partially offset by lower industrial and liquid volume. The increase in export volume of approximately 15,900 metric tonnes is due to shipments in the U.S. These export sales were as a result of high refined sugar prices in the U.S. combined with lower world raw sugar values, which allowed the Fund to absorb the high tier U.S. duty on refined sugar of approximately \$360.00 per metric tonne, and still generate a positive contribution. Consumer volume during the quarter was higher by approximately 2,800 metric tonnes from the comparable quarter of the previous year due to the recapture of a major account in April 2010. Liquid volume decreased by approximately 5,000 metric tonnes due to the loss of HFCS substitutable business. Industrial volume was lower by 900 metric tonnes due mainly to timing in deliveries.

Year-to-date volume decreased by approximately 23,100 metric tonnes due mainly to lower liquid volume of 15,100 metric tonnes due to the loss of HFCS substitutable business. Industrial volume is lower by approximately 3,900 metric tonnes due to overall reduction in the production of sugar containing products in Canada. Export volume is lower by approximately 2,600 metric tonnes due to shipments against U.S. quotas early in fiscal 2009, while consumer volume is lower by approximately 1,500 metric tonnes due to timing in recapture of volume.

Revenues for the quarter and year-to-date were \$27.8 million and \$54.9 million respectively higher than the previous year's comparable periods due to the higher price of world raw sugar in fiscal 2010 than the comparable periods. Overall sugar prices declined from the highs reached in the second quarter of fiscal 2010, but remained higher than historical values.

As previously mentioned, gross margin of \$17.3 million for the quarter does not reflect the economic margin of the Fund, as it includes a loss of \$3.9 million for the mark-to-market of derivative financial instruments explained earlier. We will therefore comment on adjusted gross margin results.

For the quarter, adjusted gross margin decreased by \$3.1 million, when compared to the same quarter of last year. On a per metric tonne basis, adjusted gross margins were \$117.56 compared to \$145.10 for the comparable quarter of last year. The decrease is due mainly to a different sales mix with higher export volume to the U.S. for which a significant U.S. duty is absorbed, thus decreasing overall gross margin rates. Year-to-date gross margin rate per metric tonne was \$129.11 as compared to \$133.20 for fiscal 2009. The decrease is due to sales mix, combined with the adjustment mentioned above.

Administration and selling costs were \$0.5 million lower than the comparable quarter, and \$0.8 million lower year-to-date due mainly to timing of expenses and the reversal of \$0.3 million in the provision for the 2006 metal contamination issue as the last claim outstanding was resolved during the quarter. The lower distribution cost of \$0.3 million for the quarter and of \$5.3 million year-to-date, is due mainly to the large volume of sugar shipped and entered in the U.S. against the U.S. Canada Specific and Special Global quotas in fiscal 2009.

Interest expense for the quarter includes a mark-to-market loss of \$0.7 million while year-to-date includes a mark-to-market gain of \$0.2 million, applied on the 5-year \$70.0 million interest swap entered into in July 2008, as compared with a gain of \$2.2 million for the quarter and an expense of \$3.6 million year-to-date for fiscal 2009. Without the above mark-to-market adjustment, interest expense for the quarter was \$0.6 million higher than last year's comparable quarter, due to additional interest incurred on the 5.7% Fourth series unsecured convertible debentures ("Fourth series debentures") issued in April 2010, while the Second series unsecured convertible debentures ("Second series debentures") of \$50.0 million was only redeemed and repaid on June 29, 2010.

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Year-to-date interest expenses, without the mark-to-market adjustment, was \$1.0 million higher due to the additional expense incurred in the quarter on the second series debentures and the write-off of deferred charges related to the second series debentures.

### Statement of quarterly results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Fund for the last eight quarters.

(In thousands of dollars, except for volume, margin rate and per trust unit information)	<u>QUARTERS</u>							
	2010 (Unaudited)			2009 (Unaudited)				2008 (Unaudited)
	3-Q	2-Q	1-Q	4-Q	3-Q	2-Q	1-Q	4-Q
<b>Volume (MT)</b>	<u>180,462</u>	<u>153,103</u>	<u>156,413</u>	<u>187,538</u>	<u>167,612</u>	<u>159,700</u>	<u>185,732</u>	<u>190,516</u>
Total revenues	156,302	143,851	143,456	154,596	128,478	121,849	138,397	130,472
Gross margin (loss)	17,335	(11,396)	28,463	40,559	28,236	9,329	14,669	19,672
EBIT (loss)	10,362	(17,638)	21,707	32,434	20,447	(116)	5,891	11,494
Net earnings (loss)	7,088	(12,136)	16,552	24,004	16,952	727	854	10,743
Gross margin rate per MT	96.06	(74.43)	181.97	216.27	168.46	58.42	78.98	103.26
<b>Per trust unit</b>								
Net earnings (loss)								
Basic	0.08	(0.14)	0.19	0.27	0.19	0.01	0.01	0.12
Diluted	0.08	(0.14)	0.17	0.23	0.17	0.01	0.01	0.11
<b>Non-GAAP Measures</b>								
Adjusted gross margin	21,215	15,573	26,474	33,208	24,320	15,985	28,035	25,748
Adjusted EBIT	14,242	9,331	19,718	25,083	16,531	6,540	19,257	17,570
Adjusted net earnings	11,151	6,548	14,876	18,638	12,578	5,732	14,351	15,857
Adjusted gross margin rate per MT	117.56	101.72	169.26	177.07	145.10	100.09	150.94	135.15
<b>Adjusted net earnings per trust unit</b>								
Basic	0.13	0.08	0.17	0.21	0.14	0.07	0.16	0.18
Diluted	0.12	0.08	0.15	0.18	0.13	0.07	0.15	0.16

Historically the first quarter (October to December) of the fiscal year is normally the best quarter for adjusted gross margins and adjusted net earnings due to the favourable sales mix of products sold. This is due to the increased sales of baked goods during that period of the year. At the same time, the second quarter (January to March) is historically the lowest volume quarter, resulting in lower adjusted gross margins, adjusted gross margin rate and adjusted net earnings. In fiscal 2009, the last quarter was also stronger than usual due especially to a strong sales mix, and an increase in overall refined sugar inventories, thus reducing that quarter's operating costs.

### Liquidity

The distributable cash generated by the operating company, Lantic, is paid to the Fund by way of dividends and return of capital on the common shares of Lantic, and by the payment of interest on the subordinated notes of Lantic held by the Fund, after having taken reasonable reserve for capital expenditures and working capital. The cash received by the Fund is used to pay distributions to its Unitholders.

Standardized Distributable Cash, as per the Interpretive Release issued in July 2007 by the Canadian Institute of Chartered Accountants ("CICA"), is defined as the GAAP measure of cash from operating activities after adjusting for capital expenditures, restrictions on distributions arising from compliance with financial covenants, restrictive at the time of reporting, and minority interests.

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Standardized distributable cash is as follows:

(In thousands of dollars)	For the three months ended June 30		For the nine months ended June 30		Cumulative amounts for last 5 fiscal years, ended September 30
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)	2009 (Unaudited)
Cash flow from operating activities	\$ 35,347	\$ 20,603	\$ 14,147	\$ 30,535	\$ 248,094
Capital expenditures	(1,165)	(1,669)	(4,377)	(4,155)	(37,366)
Financing restrictions	-	-	-	-	-
Standardized distributable cash	\$ 34,182	\$ 18,934	\$ 9,770	\$ 26,380	\$ 210,728

There were no restrictions on distributions arising from the compliance of financial covenants for the periods shown above.

Cash flow from operations was \$35.3 million in the third quarter of 2010, as opposed to \$20.6 million in the comparable quarter of fiscal 2009. The major reasons for the increase is due to a mark-to-market loss adjustment of \$3.9 million to cost of sales as opposed to a gain of \$3.9 million for the comparable quarter in fiscal 2009, a decrease in inventories compared to the previous quarter due to lower values of the cost of raw sugar as compared to the previous quarter, and to a general reduction of total physical inventory. Year-to-date decrease in cash flow from operations is due in large part to the mark-to-market, resulting in a \$12.8 million movement in derivative financial instruments.

Total capital expenditure variances from the previous year are due mainly to timing in projects when compared to fiscal 2009.

Standardized Distributable Cash does not constitute available cash for distribution due mainly to timing factors in the movement of non-cash working capital items, to mark-to-market derivative timing adjustment, to non-cash financial instruments, and to other financing items.

In order to provide additional information that the Fund's administrators believe is appropriate for the determination of levels of cash distribution, the Interpretive Release also allows a measure that includes additional items beyond those included in Standardized Distributable Cash. These additional measures may affect the Fund's distributions and are therefore forming a basis for the actual amount of cash available for distribution. All of these additional measures are separately identified and explained and result in Adjusted Distributable Cash.

Adjusted distributable cash is as follows:

(In thousands of dollars)	For the three months ended June 30		For the nine months ended June 30		Cumulative amounts for last 5 fiscal years, ended September 30
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)	2009 (Unaudited)
Standardized distributable cash as per above	\$ 34,182	\$ 18,934	\$ 9,770	\$ 26,380	\$ 210,728
Adjustments:					
Changes in non-cash working capital	(27,783)	(127)	3,654	8,521	56,786

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Mark-to-market and derivative timing adjustment	4,619	(6,132)	28,684	19,755	8,786
Financial instruments non-cash amount	3,215	2,336	(1,962)	(16,565)	(18,156)
Investment capital expenditures	27	-	27	39	7,858
Net issue (repurchase) of trust units	277	-	277	(690)	(6,120)
Interest expense on equity portion of convertible unsecured debentures	-	-	-	-	(9,390)
Deferred financing costs	(2,365)	-	(2,365)	-	(8,191)
Adjusted distributable cash	\$ 12,172	\$ 15,011	\$ 38,085	\$ 37,440	\$ 242,301
Declared distributions	\$ 10,046	\$ 10,041	\$ 30,130	\$ 30,171	\$ 189,468

Adjusted distributable cash was \$2.8 million lower than the comparable quarter in fiscal 2009 due to lower operating income and payment of financing fees on new convertible debentures.

Changes in non-cash operating working capital represents quarter-over-quarter movement in current assets such as accounts receivables and inventories, and current liabilities like accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts do not therefore constitute available cash for distribution. Such increases or decreases are financed from available cash or from the Company's available credit facilities of \$200 million. Increases or decreases in short-term bank indebtedness are also due to timing issues from the above, and therefore do not constitute available cash for distribution.

Mark-to-market and financial instruments adjustments are due mainly to unrealized gains or losses on financial derivative instruments and are therefore non-cash amounts except for margin calls on net sugar positions and natural gas contracts.

Investment capital expenditures are added back to standardized distributable cash as these capital projects are not necessary for the operation of the plants, but are undertaken due to their substantial operational savings to be realized once these projects are completed.

During the quarter, 64,000 trust units were exercised by one executive under the Unit Option Plan, for total proceeds of \$277,000. In fiscal 2009, 225,100 trust units were repurchased and cancelled under the Normal Course Issuer Bid in place.

During the quarter, an amount of \$2.4 million was paid in financing fees for the Fourth series convertible debentures issued.

### **Excess cash flow and net income over distributions paid**

Cash flow from operating activities includes year-over-year movement in current assets such as inventories and accounts receivable, and current liabilities, like accounts payable. Movements in these accounts are due to, in large part, timing and therefore do not constitute available cash for distribution.

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The following table presents excess cash flows from operating activities and net income over distributions paid for the last three years ended September 30, and for the quarters and nine months ended June 30, 2010 and 2009:

	For the three months ended June 30		For the nine months ended June 30		Years ended September 30		
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)	2009 (Audited)	2008 (Audited)	2007 (Audited)
(In thousands of dollars)							
Cash flow from operating activities	\$ 35,347	\$ 20,603	\$ 14,147	\$ 30,535	\$ 69,791	\$ 23,372	\$ 88,607
Net earnings	7,088	16,952	11,504	18,533	42,537	48,134	45,127
Distributions paid	10,046	10,041	30,130	30,171	40,206	40,082	37,728
Excess (shortfall) of cash flows from operating activities over cash distributions paid	25,301	10,562	(15,983)	364	29,585	(16,710)	50,879
(Shortfall) excess of net earnings over cash distributions paid	\$ (2,958)	\$ 6,911	\$ (18,626)	\$ (11,638)	\$ 2,331	\$ 8,052	\$ 7,399

A decrease in total inventories due to lower physical inventories and lower raw sugar values are the major reasons for the excess of cash flows over distributions for the quarter. Net earnings had a mark-to-market negative adjustment of \$4.0 million during the quarter hence the reason for the shortfall of distributions versus net earnings. Year-to-date net earnings are negatively impacted by a mark-to-market adjustment of \$21.1 million, thus the reason for the shortfall of cash flow and net earnings against distributions. The shortfall over distributions was financed from available cash balance and short-term borrowings.

### Contractual obligations

There are no material changes in the contractual obligations table disclosed in the Management's Discussion and Analysis of the September 30, 2009 Annual Report.

At June 30, 2010, the operating company had commitments to purchase a total of 908,000 metric tonnes of raw sugar, of which only 52,700 metric tonnes had been priced, for a total dollar commitment of \$21.7 million.

### Capital resources

Lantic has a \$200.0 million authorized line of credit available to finance its operations. At quarter's end, \$94.0 million had been drawn from the working capital facility, an increase of \$24.0 million since September 30, 2009, due mainly to margin requirements on raw sugar futures as a result of price fluctuations.

Cash requirements for working capital and other capital expenditures are expected to be paid from available credit resources and from funds generated from operations.

### Outstanding securities

During the quarter, 3,396 trust units were issued following the conversion of \$18,000 of the second series debentures at a conversion price of \$5.30 per trust unit. In addition, during the quarter a total of 64,000 trust units were exercised under the Unit Option Plan.

Year-to-date, 6,226 trust units have been issued following the conversion of \$33,000 of the Second series debentures, at a conversion price of \$5.30 per unit, and a total of 64,000 trust units were exercised under the Unit Option Plan. As at August 3, 2010, there were 87,398,113 trust units outstanding.

On April 8, 2010, the Fund issued \$50.0 million of 5.70% Fourth series debentures, maturing on April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010. The Fourth series debentures may be converted, at the option of the holder, at a conversion price of \$6.50 per trust unit, at any time prior to maturity and cannot be redeemed prior to April 30, 2013.

On or after April 30, 2013, and prior to April 30, 2015, the debentures may be redeemed by the Fund at a price equal to the principal amount plus accrued and unpaid interest, only if the weighted average trading price of the trust unit for 20 consecutive trading days is at least 125% of the conversion price of \$6.50. Subsequent to April 30, 2015, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On June 29, 2010, the net proceeds from the issuance of the Fourth series debentures, combined with funds from working capital, were used to redeem the 6% Second series debentures, for a total amount of \$49.967 million plus accrued interest. A total of \$33,000 had been converted into 6,226 trust units, at a conversion price of \$5.30 per trust unit, prior to the redemption of the Second series debentures on June 29, 2010.

#### **Changes in accounting policies and critical accounting estimates**

Our accounting policies and critical accounting estimates remain substantially unchanged from those that were disclosed in our Management's Discussion and Analysis of the Annual Report for the year ended September 30, 2009.

#### **International financial reporting standards ("IFRS")**

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes, for fiscal years beginning on or after January 1, 2011. The Fund will be required to begin reporting under IFRS for the quarter ending December 31, 2011 and will be required to prepare an opening balance sheet and provide information that conforms to IFRS for comparative periods presented.

The Fund began planning the transition from current Canadian GAAP to IFRS by establishing a project plan and a project team. The project team is led by senior finance executives that provide overall project governance, management and support. The project team reports quarterly to the Audit Committee the progress made on the project, and discusses key findings and future accounting requirements.

The project plan consists of three phases: the initial assessment, detailed assessment and design, and implementation. The Fund has completed the initial assessment phase, which included the completion of a high level review of the major differences between current Canadian GAAP and IFRS. The initial assessment also included training sessions for project team members and discussions with the Fund's external auditors.

The Fund is now engaged in the detailed assessment and design phase. The detailed assessment and design phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase. The design of solutions to resolve these IFRS differences is progressing according to plan, and set out below are the main areas, identified to date, where changes are expected at this time:

- Presentation of Financial Statements (IAS 1)
- First time adoption of IFRS (IFRS 1)
- Income Taxes (IAS 12)
- Property, Plant and Equipment (IAS 16)
- Consolidation (IAS 27)
- Impairment of Assets (IAS 36)

The transition plan remains on-track and the Fund believes it is well positioned to transition to IFRS in accordance with the timelines mandated by the AcSB. The work completed to date suggests that there should be minimal impact on the Fund's business processes, IT systems, disclosure controls and procedures, and internal controls over financial reporting. However, these preliminary conclusions may change as the Fund continues to progress through its transition plan and considers any new IFRS developments leading up to the Fund's changeover date.

The Fund will continue to execute the transition in accordance with its plan, and also continue to monitor standards development as issued by the International Accounting Standards Board and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

#### **Risk factors**

Risk factors in the Fund's business and operations are discussed in the Management's Discussion and Analysis of our Annual Report for the year ended September 30, 2009. This document is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on our website at [www.lantic.ca](http://www.lantic.ca).

#### **OUTLOOK**

The significant decline in world raw sugar values in the month of March 2010 provided Lantic with the opportunity to sell approximately 40,000 metric tonnes of refined sugar in the U.S. for delivery over the last two quarters of the 2010 fiscal year. This unexpected sales opportunity was as a result of continued high refined sugar prices in the U.S., due to a current tight supply environment, combined with a sudden decline in world raw sugar values. In making these sales, Lantic can absorb the high U.S. tier duty on refined sugar of approximately \$360.00 per metric tonne, and still generate a positive contribution to gross margins. More recently, U.S. refined sugar prices declined somewhat thus reducing the possibility of further export sales to the U.S. The above export volume will help mitigate the loss of export volume achieved in fiscal 2009 against the U.S. special refined sugar quotas opened in August and October of 2008.

As previously reported, poor crop results in Mexico in 2009 allowed Lantic to resume some export sales to Mexico, with volume expected to be approximately 8,000 metric tonnes in fiscal 2010, and continued opportunities for fiscal 2011.

In fiscal 2009, the total Canadian nutritive sweetener market decreased by approximately 3% and some of this decrease is now being reflected in Lantic's overall domestic volume. In addition, the high raw sugar values experienced in the first six months of the year made some HFCS substitutable liquid sales customers transfer their production to HFCS.

Most of fiscal 2010's natural gas requirement has now been priced. In addition, some futures positions for fiscal 2011 to 2013 were hedged in previous years. These positions are at prices higher than the current market values, but any un-hedged volume should benefit from the current low prices of natural gas and therefore increase the adjusted gross margin rate. We will continue to monitor natural gas market dynamics with the objective of minimizing natural gas costs.

During the quarter, a new three-year agreement was signed, at competitive market rates, with the unionized employees of the Vancouver refinery, replacing the labour agreement that expired in February 2010.

In the current volatile financial environment, return on pension plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing the plans' liabilities, may impact pension plan expenses in future years. The actuarial valuation of one of our pension plans is underway, while the others are not required to be completed until December 2010. Following the results of the current actuarial valuation, the Fund's cash contribution levels may increase in the next quarter from those currently made.

Management of Lantic and the Board of Trustees of the Fund continue to work on a plan to convert from the current income trust structure to a more conventional corporate structure. This conversion is expected to be effective as of January 1, 2011, in order to allow the current Unitholders of the Fund to maximize the benefits of the current income trust structure. The current intention is to pay quarterly dividends of approximately \$0.085 per share, in order to maintain cash dividends to shareholders of the converted structure at levels that would provide an after-tax distribution equivalent to that currently enjoyed by our taxable Canadian Unitholders. The amount of dividends paid following the conversion will be at the discretion of our Board, and will be evaluated quarterly and may be revised subject to business circumstances and expected capital requirements depending on, among other things, earnings and other conditions existing from time to time.

## *Rogers Sugar Income Fund*

Unaudited Consolidated Balance Sheets

June 30, 2010 and 2009

(In thousands of dollars)

	June 30 2010	September 30 2009 (audited)	June 30 2009
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,952	\$ 5,367	\$ 2,276
Accounts receivable	60,522	49,637	44,190
Inventories	66,437	75,136	78,960
Prepaid expenses	3,087	2,333	3,508
Future income taxes	11,300	3,570	5,413
Derivative financial instruments (Note 3)	866	1,302	-
	149,164	137,345	134,347
Capital assets	182,797	188,344	189,526
Defined benefits pension plan assets	17,260	17,931	20,241
Derivative financial instruments (Note 3)	410	77	95
Other assets	556	722	932
Goodwill	229,952	229,952	229,952
	\$ 580,139	\$ 574,371	\$ 575,093
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
Current liabilities:			
Short-term borrowings	\$ 94,000	\$ 70,000	\$ 94,000
Accounts payable and accrued liabilities	37,345	37,953	32,101
Derivative financial instruments (Note 3)	10,241	10,547	7,131
Current capital lease obligation (Note 4)	23	-	-
	141,609	118,500	133,232
Employee future benefits	28,788	29,073	31,513
Derivative financial instruments (Note 3)	11,153	8,988	9,264
Long-term capital lease obligation (Note 4)	94	-	-
Convertible unsecured subordinated debentures (Note 5)	130,383	131,387	131,166
Future income taxes	19,485	19,495	16,960
	331,512	307,443	322,135
<b>UNITHOLDERS' EQUITY</b>			
Trust units (Note 6)	559,986	559,662	559,662
Contributed surplus	4,713	4,712	4,711
Deficit	(316,072)	(297,446)	(311,415)
	248,627	266,928	\$ 252,958
	\$ 580,139	\$ 574,371	\$ 575,093

**Rogers Sugar Income Fund**

Unaudited Consolidated Statements of Operations and Comprehensive Income

For the periods ended June 30, 2010 and 2009

(In thousands of dollars – except per trust unit amounts)

	For the three months ended		For the nine months ended	
	June 30		June 30	
	2010	2009	2010	2009
Revenues	\$ 156,302	\$ 128,478	\$ 443,609	\$ 388,724
Cost of sales	138,967	100,242	409,207	336,490
Gross margin	17,335	28,236	34,402	52,234
Expenses:				
Administration and selling	4,794	5,306	13,968	14,800
Distribution	2,054	2,381	5,593	10,912
Depreciation and amortization	125	102	410	300
	6,973	7,789	19,971	26,012
Earnings before interest and provision for income taxes	10,362	20,447	14,431	26,222
Interest on convertible debentures	2,649	1,992	6,634	5,978
Amortization of deferred financing costs	351	267	1,500	801
Short-term interest expense (income)	1,654	(1,175)	2,722	6,873
	4,654	1,084	10,856	13,652
Earnings before provision for income taxes	5,708	19,363	3,575	12,570
(Recovery of) provision for income taxes:				
Current	(1,294)	-	(189)	-
Future	(86)	2,411	(7,740)	(5,963)
	(1,380)	2,411	(7,929)	(5,963)
Net earnings and other comprehensive income	\$ 7,088	\$ 16,952	\$ 11,504	\$ 18,533
Net earnings per trust unit:				
Basic	\$ 0.08	\$ 0.19	\$ 0.13	\$ 0.21
Diluted	\$ 0.08	\$ 0.17	\$ 0.13	\$ 0.21
Supplemental disclosure:				
Employee future benefits expense	\$ 1,209	\$ 873	\$ 3,455	\$ 2,623

**Rogers Sugar Income Fund**

Unaudited Consolidated Statements of Changes in Unitholders' Equity

For the nine months ended June 30, 2010 and 2009

(In thousands of dollars – except per trust unit amounts)

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	For the nine months ended				
	June 30, 2010				
	Number of Trust Units	Trust Units	Contributed Surplus	Deficit	Total
Balance, beginning of period	87,327,887	\$ 559,662	\$ 4,712	\$ (297,446)	\$ 266,928
Distributions	-	-	-	(30,130)	(30,130)
Stock-based compensation (Note 7)	64,000	291	1	-	292
Conversion of convertible debentures into trust units (Note 5)	6,226	33	-	-	33
Net earnings	-	-	-	11,504	11,504
Balance, end of period	87,398,113	\$ 559,986	\$ 4,713	\$ (316,072)	\$ 248,627

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	For the nine months ended				
	June 30, 2009				
	Number of Trust Units	Trust Units	Contributed Surplus	Deficit	Total
Balance, beginning of period	87,552,987	\$ 561,105	\$ 3,950	\$ (299,777)	\$ 265,278
Distributions	-	-	-	(30,171)	(30,171)
Stock-based compensation	-	-	8	-	8
Repurchase of trust units (Note 6)	(225,100)	(1,443)	753	-	(690)
Net earnings	-	-	-	18,533	18,533
Balance, end of period	87,327,887	\$ 559,662	\$ 4,711	\$ (311,415)	\$ 252,958

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**Rogers Sugar Income Fund**

Unaudited Consolidated Statements of Cash Flows  
For the periods ended June 30, 2010 and 2009  
(In thousands of dollars)

	For the three months ended		For the nine months ended	
	June 30		June 30	
	2010	2009	2010	2009
<b>Cash flows from operating activities:</b>				
Net earnings	\$ 7,088	\$ 16,952	\$ 11,504	\$ 18,533
Adjustments for items not involving cash:				
Depreciation and amortization	3,294	3,332	10,146	9,983
Amortization of deferred financing costs	351	267	1,500	801
Future income taxes	(86)	2,411	(7,740)	(5,963)
Employee future benefits	126	(239)	386	(774)
Change in derivative financial instruments	(3,215)	(2,336)	1,962	16,565
Stock based compensation expenses	6	3	15	8
Gain on sale of capital assets	-	-	-	(278)
Other	-	86	28	181
	<b>7,564</b>	<b>20,476</b>	<b>17,801</b>	<b>39,056</b>
<b>Changes in non-cash working capital:</b>				
Accounts receivable	(7,543)	4,247	(10,885)	10,593
Inventories	33,748	284	8,699	(8,311)
Prepaid expense	(645)	(1,278)	(754)	(1,434)
Accounts payable and accrued liabilities	2,223	(3,126)	(714)	(9,369)
	<b>27,783</b>	<b>127</b>	<b>(3,654)</b>	<b>(8,521)</b>
	<b>35,347</b>	<b>20,603</b>	<b>14,147</b>	<b>30,535</b>
<b>Cash flows from financing activities:</b>				
Short-term (repayments) borrowings	(15,399)	(11,000)	24,000	1,000
Distributions to Unitholders	(10,046)	(10,041)	(30,130)	(30,171)
Issue (repurchase) of trust units	277	-	277	(690)
Issuance of convertible unsecured subordinated debentures	50,000	-	50,000	-
Redemption of convertible unsecured subordinated debentures	(49,967)	-	(49,967)	-
Deferred financing charges	(2,365)	-	(2,365)	-
	<b>(27,500)</b>	<b>(21,041)</b>	<b>(8,185)</b>	<b>(29,861)</b>
<b>Cash flows from investing activities:</b>				
Additions to capital assets	(1,165)	(1,669)	(4,377)	(4,155)
Net change in cash and cash equivalents	<b>6,682</b>	<b>(2,107)</b>	<b>1,585</b>	<b>(3,481)</b>
Cash and cash equivalents, beginning of period	\$ 270	\$ 4,383	\$ 5,367	\$ 5,757
Cash and cash equivalents, end of period	\$ <b>6,952</b>	\$ <b>2,276</b>	\$ <b>6,952</b>	\$ <b>2,276</b>
<b>Supplemental disclosure:</b>				
Interest paid on debt	5,287	4,855	11,145	10,585
Income taxes paid	180	7	1,159	1,562
Capital assets included in accounts payable and accrued liabilities and capital lease obligation	698	609	698	609

## Rogers Sugar Income Fund

Notes to Interim Unaudited Consolidated Financial Statements  
For the three months ended June 30, 2010 and 2009  
(In thousands of dollars unless otherwise noted)

Rogers Sugar Income Fund (the "Fund") is an open-ended, limited purpose trust created under the laws of Ontario by an amended and restated declaration of trust dated February 3, 2005 (the "Declaration of Trust"). An unlimited number of trust units may be issued pursuant to the Declaration of Trust.

### Note 1: Basis of presentation

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). These interim unaudited consolidated financial statements do not include all disclosures required by the Canadian GAAP and therefore should be read in conjunction with the consolidated financial statements and the notes thereto for the most recently prepared annual financial statements for the year ended September 30, 2009. These quarterly consolidated financial statements were not audited by our external auditors.

### Note 2: Accounting policies

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the year ended September 30, 2009.

### Note 3: Derivative Financial Instruments

Details of recorded gains/losses for the quarter, in marking-to-market all derivative financial instruments and embedded derivatives are noted below. For sugar and natural gas futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution, which is counterparty to these contracts. The fair value of natural gas contracts, foreign exchange forward contracts and interest swap calculation include a credit risk adjustment for the Fund's or counterparty's credit, as appropriate.

MARK-TO-MARKET	Financial Instrument Assets		Financial Instrument Liabilities		Gain / (Loss)			
	Short-term	Long-term	Short-term	Long-term	Three months ended		Nine months ended	
					June 30	June 30	June 30	June 30
					2010	2009	2010	2009
Sugar futures contracts and options	\$	\$ 3	\$ (730)	\$ -	\$ 4,774	\$ 1,691	\$ (15,291)	\$ (6,317)
Natural gas futures contracts	-	-	(5,790)	(8,507)	(324)	8,558	(3,902)	(12,522)
Foreign exchange forward contracts	-	241	(1,737)	-	3,136	(6,226)	1,651	(892)
Embedded derivatives	866	166	-	-	3,168	(1,035)	2,220	172
Interest swap	-	-	(1,984)	(2,646)	(739)	2,216	176	(3,649)
	\$ 866	\$ 410	\$ (10,241)	\$ (11,153)	\$ 10,015	\$ 5,204	\$ (15,146)	\$ (23,208)
Charged to:								
Cost of sales					10,754	2,988	(15,322)	\$ (19,559)
Interest expenses					(739)	2,216	176	(3,649)
<b>Total</b>					<b>\$ 10,015</b>	<b>\$ 5,204</b>	<b>\$ (15,146)</b>	<b>(23,208)</b>

## *Rogers Sugar Income Fund*

Notes to Interim Unaudited Consolidated Financial Statements  
For the three months ended June 30, 2010 and 2009  
(In thousands of dollars unless otherwise noted)

### Note 4: Obligations under capital lease

Near the end of the first quarter of 2010, the Fund entered into a capital lease for movable warehouse equipment, which substantially transfers all the usage benefits of this movable equipment to the Fund. This lease has an average interest rate of 5.0%. Future minimum lease payments for obligations under capital lease as at June 30, 2010 are as follows:

	2010	2009
2010	\$ 10	\$ -
2011	29	-
2012	29	-
2013	29	-
2014 and thereafter	36	-
	133	-
Less interest portion	16	-
	117	
Less current portion	23	-
	\$ 94	\$ -

For the quarter and year-to-date ended June 30, 2010, a minimal amount of interest was charged to interest expense.

### Note 5: Convertible debentures

On April 8, 2010, the Fund issued 50,000 Fourth series, 5.70% convertible unsecured subordinated debentures ("Fourth series debentures"), maturing on April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010 for gross proceeds of \$50,000. The debentures may be converted at the option of the holder at a conversion price of \$6.50 per trust unit at any time prior to maturity, and cannot be redeemed prior to April 30, 2013.

On or after April 30, 2013 and prior to April 30, 2015, the debentures may be redeemed by the Fund, at a price equal to the principal amount plus accrued and unpaid interest, only if the weighted average trading price of the trust unit, for 20 consecutive trading days, is at least 125% of the conversion price of \$6.50. Subsequent to April 30, 2015, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or at maturity, the Fund will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon. The Fund may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing trust units to the holders of the convertible debentures. The number of trust units to be issued will be determined by dividing \$1,000 (one thousand) of principal amount of the convertible debentures by 95% of the weighted average trading price of the trust units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

The Fund has not allocated any of the Fourth series debentures into an equity component, as the calculation of the equity component is not significant using an appropriate interest rate that would have been applicable to the issuance of similar debt without the conversion features at the time the debentures were issued.

The Fund incurred issuance costs of \$2,365, which are netted against the convertible debenture liability.

## *Rogers Sugar Income Fund*

Notes to Interim Unaudited Consolidated Financial Statements  
For the three months ended June 30, 2010 and 2009  
(In thousands of dollars unless otherwise noted)

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On June 29, 2010, the net proceeds from the issuance of the Fourth series debentures, combined with funds from working capital were used to redeem the Second series 6% convertible unsecured subordinated debentures ("Second series debentures"). The total redemption of principal was \$49,967 as an amount of \$33 was converted to trust units by holders of the convertible debentures prior to the redemption date of June 29, 2010.

### Note 6: Trust units

During the third quarter of 2010, \$18 of the Second series debentures was converted by holders of the securities for a total number of 3,396 trust units. Year-to-date, a total of 6,226 trust units were issued following the conversion of \$33 of the Second series debentures. This conversion is a non-cash transaction and therefore is not reflected in the statement of cash flows. Also, during the quarter, 64,000 trust units were issued from the exercise of options by an executive under the Unit Option Plan. During the first nine months of fiscal 2009, the Fund repurchased and cancelled 225,100 trust units under its Normal Course Issuer Bid at an average price of \$3.064 per trust unit. At June 30, 2010, 87,398,113 trust units were issued and outstanding.

The Fund received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid to purchase 6,345,898 trust units of the Fund, representing 10% of the public float of the Fund, up to \$2.0 million principal amount of the Second series, 6.0% debentures, and up to \$3.0 million principal amount of the Third series, 5.9% convertible unsecured subordinated debentures of the Fund. The bid started December 7, 2009, and may continue to December 6, 2010.

### Note 7: Stock-based compensation plan

On December 23, 2009, 100,000 trust unit options were granted at a price of \$4.70 per trust unit, representing the average market price for the five business days before the granting of the options. In the third quarter, a total of 64,000 trust units were exercised under the Unit Option Plan by an executive. The following table summarizes information about the Unit Option Plan as at June 30, 2010:

Exercise price per option	Outstanding number of options at September 30, 2009	Granted during fiscal 2010	Options exercised during fiscal 2010	Outstanding number of options at June 30, 2010	Weighted average remaining life	Number of options exercisable	Weighted average exercise price
\$ 3.61	280,000	-	-	280,000	5.42	200,000	\$ 3.61
4.33	120,000	-	(64,000)	56,000	5.00	16,000	4.33
4.70	-	100,000	-	100,000	9.31	-	4.70

The following assumptions were used to estimate the fair values of the fiscal 2010 option at the grant date:

Risk-free interest rate	2.62% - 3.03%
Expected life	4 – 6 years
Expected volatility	20.67% to 21.98%
Dividend yield	10%

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***Rogers Sugar Income Fund***

Notes to Interim Unaudited Consolidated Financial Statements

For the three months ended June 30, 2010 and 2009

(In thousands of dollars unless otherwise noted)

**Note 8: Segmented information**

Revenues were derived from customers in the following geographic areas:

	For the three months ended		For the nine months ended	
	June 30		June 30	
	2010	2009	2010	2009
Canada	\$ 142,798	\$ 124,591	\$ 416,276	\$ 358,024
United States and Other	13,504	3,887	27,333	30,700
	\$ 156,302	\$ 128,478	\$ 443,609	\$ 388,724