

ROGERS SUGAR INCOME FUND

ANNUAL INFORMATION FORM

For the year ended September 30, 2008

December 12, 2008

Rogers Sugar Income Fund

ANNUAL INFORMATION FORM

TABLE OF CONTENTS

ROGERS SUGAR INCOME FUND	4
Structure of the Fund	4
Activities of the Fund.....	4
Administration	5
Administration Agreement and Other Agreements	5
Governance Agreement	5
Term of the Fund	6
Declaration of Trust and Description of Trust Units	6
The Trustees.....	7
Meetings of Unitholders	8
Distributions.....	8
Limitation on Non-Resident Ownership.....	8
Trust Beneficiaries' Liability Act, 2004 (Ontario)	8
Debt Instruments.....	8
LANTIC INC	10
Share Capital.....	10
Notes	10
Senior Debentures.....	13
Credit Facility	13
Distribution Policy	14
REVIEW OF OPERATIONS AND BUSINESS	14
The Fund	14
The Sugar Industry.....	14
Lantic	15
Three-Year History	15
Facilities.....	16
Use of Financial Derivatives for Hedging	17
Distribution and Marketing.....	20
Trademarks and Trade Names	20
Competition.....	20
Legislative Issues	21
Human Resources	21
Capital Expenditures.....	22
Environment.....	22
RISK FACTORS	23
Dependence upon Lantic.....	23
Fluctuations in margins and foreign exchange	23
Fluctuations in raw sugar prices	23
Weather and other factors related to production.....	24
Competition.....	24

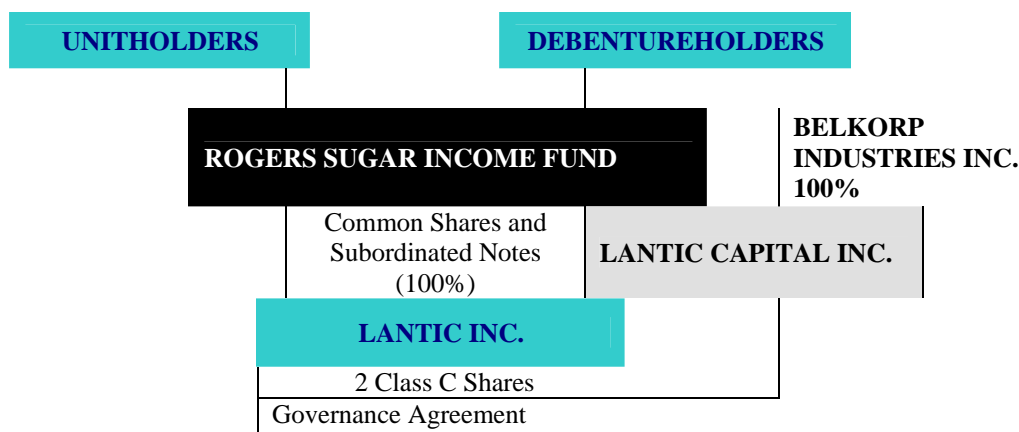
Operating costs.....	24
Government regulations and foreign trade policies	24
Employee relations.....	25
Environmental matters	25
Income tax matters	25
Nature of trust units	27
Management and operation of Lantic	27
DISTRIBUTIONS.....	27
DESCRIPTION OF CAPITAL STRUCTURE.....	27
MARKET FOR SECURITIES.....	28
PRIOR SALES.....	28
ESCROWED SECURITIES.....	28
TRUSTEES, DIRECTORS AND OFFICERS	28
Trustees of the Fund.....	28
Directors and Officers of Lantic	29
Unitholdings of Trustees.....	30
Audit Committee.....	30
Composition and Education.....	31
Audit Committee Charter.....	31
Pre-approval Policies and Procedures.....	31
External Auditors Service Fees (By category).....	31
Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions	32
Conflicts of Interest.....	32
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	33
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	33
MATERIAL CONTRACTS	33
INTERESTS OF EXPERTS	33
TRANSFER AGENTS AND REGISTRARS.....	33
DATE OF INFORMATION	33
FORWARD-LOOKING STATEMENTS	34
ADDITIONAL INFORMATION.....	34
SCHEDULE "A"	A-1
AUDIT COMMITTEE CHARTER	A-1

ROGERS SUGAR INCOME FUND

Rogers Sugar Income Fund (the “Fund”) is an open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust (the “Declaration of Trust”) dated as of September 15, 1997, as amended and restated as of December 28, 2001, as further amended and restated as of March 8, 2002 in order to reflect a change in the activities of the Fund in light of the acquisition of Lantic Sugar Limited and as further amended and restated as of February 3, 2005 to expand the purposes of the Fund to include the purchase by the Fund of trust units (“Trust Units”) of the Fund (or other securities of the Fund which may be issued and outstanding from time to time) and to provide for and clarify certain matters respecting the Fund’s investment in securities other than those of Lantic Inc. (“Lantic”). On June 30, 2008, the Fund’s two subsidiaries, Rogers Sugar Ltd. (“Rogers”) and Lantic Sugar Limited (“Lantic Sugar”) amalgamated (the Rogers and Lantic Sugar amalgamation being hereinafter defined as the “Amalgamation”) to form Lantic. From that date, Lantic possessed all of the property, rights and assets of Rogers and Lantic Sugar and assumed all of their obligations. The principal and head office of the Fund is located at 123 Rogers Street, Vancouver, British Columbia V6B 3N2. The administrative offices of the Fund are located at 4026 Notre-Dame Street East, Montréal, Québec H1W 2K3. The principal activities of the Fund are to hold all of the common shares Lantic (the Lantic common shares, together with any other equity securities held by or on behalf of the Fund, from time to time, are referred to as the “Common Shares”) and the subordinated unsecured notes of Lantic (collectively, together with any other debt securities held by or on behalf of the Fund, from time to time, the “Notes”). To the maximum extent possible, the Fund distributes to holders of Trust Units (“Unitholders”) amounts representing equity interests in the Fund of amounts received by the Fund by way of dividends or return of capital on the Common Shares and interest and repayments of principal on the Notes after expenses, interest on the Debentures of the Fund (see “The Fund — Debt Instruments”) and any cash redemptions of Trust Units, amounts paid or required by the Fund to purchase Trust Units (or other securities of the Fund which may be issued and outstanding from time to time) and amounts required for the operations of the Fund.

Structure of the Fund

The following chart illustrates the current primary structural and contractual relations between the Unitholders, the Fund, Lantic and Lantic Capital Inc. (“Lantic Capital”).



For a detailed discussion of these structural and contractual relations, see The “Fund — Administration”.

Activities of the Fund

The Declaration of Trust provides that the Fund is restricted to:

- (a) investing its funds in securities, including securities issued by Lantic;
- (b) temporarily holding cash in interest-bearing accounts or short-term government debt for the purposes of investing, paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Trust Units and making distributions to Unitholders;

- (c) issuing Trust Units for cash or in order to make distributions to Unitholders or to acquire, directly or indirectly, securities or other assets; and
- (d) purchasing Trust Units (or any other securities of the Fund which may be issued and outstanding from time to time) in the market at the then prevailing market price for cancellation in accordance with all applicable securities laws, regulations, rules, notices and policies and the applicable rules and policies of any stock exchange or pursuant to tenders received by the Fund upon requests for tenders addressed to all holders of record of Trust Units.

Administration

Administration Agreement and Other Agreements

On June 30, 2008, the Fund entered into a new administration agreement (the “Administration Agreement”) following the Amalgamation with Lantic, whereby Lantic agreed to act as administrator of the Fund. The administrator provides or arranges for the provision of services required in the administration of the Fund. These services include arranging and paying for annual audit and regulatory public reporting services and costs, arranging for, and paying the costs of, legal counsel, monitoring and coordinating the activities of and paying the fees of the transfer agent and registrar for the Trust Units, arranging for distributions to Unitholders, and providing reports to Unitholders. In consideration for its services, Lantic receives a fee of \$50,000 per annum plus reimbursement of certain out-of-pocket costs and expenses. The Administration Agreement is terminable on 180 days’ notice, on the winding-up of the Fund, the insolvency or receivership of Lantic or default by Lantic in the performance of any material obligation which is not remedied within 30 days.

Pursuant to the Amalgamation, the management agreement between Lantic Sugar and Rogers was terminated, effective June 30, 2008.

Pursuant to the Amalgamation, the services outsourcing agreement between Lantic Sugar and Rogers was terminated, effective June 30, 2008.

Governance Agreement

Pursuant to the Amalgamation, the governance agreement made between the Fund, Lantic Sugar, Rogers and Lantic Capital was terminated and replaced by a new corporate governance agreement (“the Governance Agreement”) dated June 30, 2008. Lantic Capital as holder of two Class C shares of Lantic, is entitled to elect five of seven directors of each of the board of directors of Lantic.

The Fund has the right to terminate Lantic Capital’s right to elect a majority of the directors of such companies if (i) any of Lantic Capital’s nominees votes on any question for determination by the board of directors of any such company to which the distribution policy of such company applies and the effect of that vote precludes or prevents the implementation or carrying out of the distribution policy or (ii) a take-over bid is made for all of the issued and outstanding Trust Units and, on completion thereof, the offeror thereunder holds more than 60% of the issued and outstanding Trust Units (calculated on a fully-diluted basis). The Governance Agreement terminates upon the earliest to occur of (i) the date on which Lantic Capital and its affiliates collectively beneficially own, directly or indirectly, or exercise control or direction over less than 5% of the outstanding Trust Units (calculated on a fully-diluted basis), (ii) the date on which the agreement is terminated by agreement of the parties to that effect and (iii) the date on which all of the obligations of the Fund thereunder relating to certain restrictions on the ability of the Fund to make changes to the articles of Lantic and the election of Lantic Capital’s nominees to the boards of the above-noted companies expire or terminate.

The Governance Agreement provides that Lantic distribute to the maximum extent possible, by way of dividends or by return of capital on the Common Shares, as applicable, and by repayment of interest and principal on the indebtedness evidenced by the Notes, as applicable, not less than 85% of its available cash, but subject nevertheless to:

- (a) the provisions of the *Canada Business Corporations Act* and other applicable laws;
- (b) satisfying or making provision to satisfy its bank financing and other debt obligations and its interest and other expense obligations;
- (c) retaining sufficient working capital and other reserves as may be considered appropriate by the boards of directors of Lantic or its subsidiaries, as applicable, acting reasonably; and

- (d) funding of ongoing capital maintenance programs and other capital expenditures in the ordinary course of business of Lantic or its subsidiaries, as applicable.

The Governance Agreement provides that the Fund will not vote for any amendment to Lantic's articles or by-laws, including an amendment with respect to the number of directors, without Lantic Capital's approval. The Governance Agreement will remain in force until the earlier of a) the date when Lantic Capital beneficially owns directly or indirectly less than 5% of the fully diluted units, b) the date upon which the Governance Agreement is terminated by an agreement in writing and c) the date upon which certain obligations of the Fund, under the Governance Agreement, have expired.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her majesty, Queen Elizabeth II, alive on September 15, 1997. On a date selected by the trustees of the Fund (the "Trustees"), which is no more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may, by resolution passed by a majority of not less than 66 2/3% of the votes cast at a meeting of Unitholders or approved in writing by the holders of not less than 66 2/3% of the Trust Units entitled to vote on such resolution, require the Trustees to commence to wind up the affairs of the Fund.

Declaration of Trust and Description of Trust Units

An unlimited number of Trust Units may be issued pursuant to the Declaration of Trust. Each Trust Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Trust Units are of the same class with equal rights and privileges. Unitholders are not subject to future calls or assessments (except to the extent Trust Units are issued on an installment basis). Trust Units entitle the holder thereof to one vote for each whole Trust Unit held at all meetings of Unitholders.

The Declaration of Trust provides that the Trust Units or rights to acquire Trust Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. Trust Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis.

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution. In this case, each certificate evidencing a number of Trust Units prior to the non-cash distribution is deemed to represent the same number of Trust Units after the non-cash distribution and the consolidation.

Trust Units are redeemable at any time on demand by the holders thereof. A Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from his or her investment dealer who will be required to deliver the completed redemption notice form to the Fund. Upon receipt of the redemption notice by the Fund, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Trust Unit (the "Redemption Price") equal to the lesser of: (i) 95% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately subsequent to the date on which the Trust Units were surrendered for redemption (the "Redemption Date"); and (ii) the "closing market price" on the principal market on which the Trust Units are quoted for trading on the Redemption Date.

For purposes of this calculation, "market price" will be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Trust Units traded on a particular day, the "market price" shall be an amount equal to the simple average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the "market price" shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bids and last ask prices of the Trust Units for each day there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading if the market provides only the highest and lowest prices of the Trust Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Trust Units if there was a trade on the

Redemption Date and if the exchange or market provides a closing price, an amount equal to the average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of the Trust Units traded on a particular day and the average of the last bid and ask prices of the Trust Units if there was no trading on that date. In the event that the Trust Units are not traded for the 10 trading days immediately following the Redemption Date, the Redemption Price shall be equal to 95% of the fair market value of such Trust Units as determined by the Trustees on the advice of an investment dealer.

The aggregate Redemption Price payable by the Fund in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the month following the month in which the Trust Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed \$200,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Trust Units are tendered for redemption, the outstanding Trust Units of the Fund shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Trust Units; and (iii) the normal trading of the Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the Redemption Date or for more than five days during the 10-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the foregoing limitations, then each Trust Unit tendered for redemption shall, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie* of a *pro rata* number of Notes and Common Shares held by the Fund. No fractional Common Shares or Notes in integral multiples of less than \$10 will be distributed and where the number of Notes and Common Shares to be received by a Unitholder includes a fraction or multiple less than \$10, such number shall be rounded to the next largest whole number or integral of \$10. The Fund shall be entitled to all interest paid on the Notes and distributions paid on the Common Shares on or before the date of the distribution *in specie*.

It is anticipated that the redemption right described above is not the primary mechanism for holders of Trust Units to dispose of their Trust Units. Securities of Lantic or other securities which may be distributed *in specie* to Unitholders in connection with the redemption will not be listed on any stock exchange and no market is expected to develop in securities of Lantic and they may be subject to resale restrictions under applicable securities laws. Securities of Lantic so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans each as defined in the *Income Tax Act* (Canada) (the "Tax Act"), depending upon the circumstances at the time.

The Trustees

The Declaration of Trust provides that, subject to the terms and conditions of the Declaration of Trust, the Trustees may, in respect of the trust assets and the activities and affairs of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof. The number of Trustees may not be less than three nor more than seven. The Declaration of Trust prohibits persons who are not resident in Canada for the purposes of the Tax Act from being Trustees. The Trustees are responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of Lantic; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities and managing the investments and affairs of the Fund; and (iv) effecting payments of distributable cash from the Fund to Unitholders. To the extent that management of the Fund involves matters which under applicable law should be delegated to or determined by an independent person or persons (which may or may not include certain of the Trustees), the Trustees will delegate such matters to such independent person or persons and any decision by such person or persons shall be binding on the Trustees. No such delegation will derogate from the duty of the Trustees to act honestly and in good faith with a view to the best interests of the Fund.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Trustees shall be entitled to indemnification from the Fund in respect of the performance of their duties under the Declaration of Trust in the absence of breach of their duties and standard of care. The Declaration of Trust states that the duties and standard of care of the Trustees provided in the Declaration of Trust are intended to be similar to, and not greater than, those imposed on a director of a corporation governed by the *Canada Business Corporations Act*.

Meetings of Unitholders

The Declaration of Trust requires that the Fund hold an annual meeting of Unitholders within 6 months of each anniversary of October 8, 1997. The business to be transacted at such meeting includes the appointment of Trustees, the election of nominees of the Fund to serve as directors of Lantic, the presentation of the audited financial statements of the Fund for the prior fiscal year and the appointment of auditors of the Fund. Special meetings of Unitholders may also be called at any time by the Trustees upon a written request of Unitholders holding in the aggregate not less than 10% of the Trust Units then outstanding. Notice of all meetings shall be mailed to Unitholders at least 45 days before the meeting.

Unitholders may attend and vote at all meetings either in person or by proxy, provided that the proxy is received by the transfer agent at least 24 hours prior to the commencement of the meeting. A quorum shall consist of two or more individuals present in person either holding personally or representing as proxies not less than 10% of the outstanding Trust Units.

Distributions

Distributions to Unitholders are made on a monthly basis. The amount of cash to be distributed annually per Trust Unit is equal to a *pro rata* share of interest and distributions on or in respect of Notes or Common Shares, respectively, received by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts paid by the Fund or required by the Fund in connection with any cash redemptions of Trust Units or in respect of the purchase of Trust Units (or other securities of the Fund which may be issued and outstanding from time to time) by the Fund; and (iii) any other expense incurred by the Fund between distributions. Accordingly, cash distributions to Unitholders are dependent upon the ability of Lantic to pay its interest obligations under its Notes and to declare and pay dividends on or return capital in respect of its Common Shares. Unitholders are also entitled to receive a *pro rata* share of any repayments of principal in respect of the Notes received by the Fund. Any income of the Fund which is applied to any cash redemptions of Trust Units or is otherwise unavailable for cash distribution, is distributed to Unitholders in the form of additional Trust Units. Such additional Trust Units are issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada be the beneficial owners of a majority of the Trust Units and the Trustees shall inform the transfer agent of this restriction. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident to be delivered to the transfer agent. If the Trustees become aware, as a result of such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Trust Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Trustees may make a public announcement thereof and shall cause the transfer agent to not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a non-resident. If notwithstanding the foregoing, the transfer agent determines that a majority of the Trust Units are held by non-residents, the Trustees may cause the transfer agent to send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the transfer agent with satisfactory evidence that they are not non-residents within such period, the Trustees may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale the affected Unitholders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale upon surrender of the unit certificates representing such Units.

Trust Beneficiaries' Liability Act, 2004 (Ontario)

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Debt Instruments

On March 21, 2005, the Fund filed a short form prospectus for the issue of \$50,000,000 principal amount of Second Series 6.0% Convertible Unsecured Subordinated Debentures of the Fund (the "Second Series Debentures"). The Second Series Debentures were issued pursuant to a first supplemental indenture dated March 31, 2005 between the Fund and Computershare

Trust Company of Canada (the “First Supplemental Indenture”) supplementing the trust indenture dated as of March 8, 2002 between the Fund and Computershare Trust Company of Canada (the “Indenture”). The Second Series Debentures mature on June 29, 2012 and bear interest at an annual rate of 6.0%, payable semi-annually on June 29 and December 29 in each year, commencing on June 29, 2005.

The Second Series Debentures are convertible into fully paid and non-assessable Trust Units at the option of the holder at any time prior to the close of business on the earlier of June 29, 2012 and the business day immediately preceding the date specified by the Fund for redemption of the Second Series Debentures, at a conversion price of \$5.30 per Trust Unit. The Second Series Debentures are not redeemable by the Fund prior to June 29, 2008. On or after June 29, 2008 and prior to June 29, 2010, the Second Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the Trust Units for the 20 consecutive trading days ending on the fifth trading day preceding the date upon which the notice of redemption is given, is at least 125% of the conversion price. On or after June 29, 2010, the Second Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

The net proceeds to the Fund from the sale of the Second Series Debentures of approximately \$47.5 million were used to subscribe for an additional 19,000,000 common shares of Rogers. Rogers in turn used such net proceeds to effect a partial redemption of the \$100 million principal amount of 8.173% senior secured debentures of Rogers issued pursuant to a trust indenture dated as of August 25, 2000 as amended by supplemental deed of trust on March 26, 2002 made between Rogers and The Trust Company of Bank of Montreal (now BNY Trust Company of Canada), as trustee, (the “Rogers Debentures”), the balance of the principal amount of which was paid on maturity on August 26, 2005.

On February 15, 2006, the Fund filed a short form prospectus for the issue of \$85,000,000 principal amount of Third Series 5.9% Convertible Unsecured Subordinated Debentures of the Fund (the “Third Series Debentures”). The Third Series Debentures were issued pursuant to a second supplemental indenture dated as of March 6, 2006 between the Fund and Computershare Trust Company of Canada (the “Second Supplemental Indenture”) supplementing the Indenture. The Third Series Debentures mature on June 29, 2013 and bear interest at an annual rate of 5.9%, payable semi-annually on June 29 and December 29 in each year, commencing on June 29, 2006.

The Third Series Debentures are convertible into fully paid and non-assessable Trust Units at the option of the holder at any time prior to the close of business on the earlier of June 29, 2013 and the business day immediately preceding the date specified by the Fund for redemption of the Third Series Debentures, at a conversion price of \$5.10 per Trust Unit. The Third Series Debentures are not redeemable by the Fund prior to June 29, 2009. On or after June 29, 2009, and prior to June 29, 2011, the Third Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the Trust Units for the 20 consecutive trading days ending on the fifth trading day preceding the date upon which the notice of redemption is given, is at least 125% of the conversion price. On or after June 29, 2011, the Third Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest. During fiscal 2008, an amount of \$740,000 of the Third Series Debentures were converted into 145,096 Trust Units of the Fund, leaving an outstanding amount of \$84,260,000 of the Third Series Debentures

The net proceeds to the Fund from the sale of the Third Series Debentures of approximately \$81.4 million were used on March 7, 2006, in addition to funds received in the normal course of business, to redeem the \$85.0 million, 9.5% Convertible Unsecured Subordinated Debentures issued on March 8, 2002.

The payment of the principal of, and interest on, the Second Series Debentures and Third Series Debentures (collectively, the “Debentures”) will be senior to the payment of any distributions on the Trust Units, but subordinated to the prior payment of any indebtedness of the Fund.

Upon the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 66 2/3% or more of the outstanding Trust Units (a “Change of Control”) and the termination of the Governance Agreement, holders of the Debentures may require the Fund to purchase the Debentures at a price equal to 101% of the principal amount.

The Debentures provide that any of the following shall constitute an Event of Default (as such term is defined in the Indenture):

- (a) failure, for 15 days, to pay interest on the Debentures when due;
- (b) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; or

- (c) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy and insolvency laws.

LANTIC INC.

Lantic is a corporation amalgamated under the *Canada Business Corporations Act* on June 30, 2008. Lantic was formed from the amalgamation of Rogers and Lantic Sugar. As at June 30, 2008, Lantic possessed all of the property, rights and assets of Rogers and Lantic Sugar and assumed all of their obligations. The registered and principal office of Lantic is located at 4026 Notre-Dame East, Montréal, Québec, H1W 2K3. Lantic administers the Fund. For a detailed discussion of the administrative relationship between the Fund and Lantic, see “Rogers Sugar Income Fund — Administration”.

Share Capital

On the amalgamation of Rogers and Lantic Sugar, the 60,504,800 issued and outstanding common shares of Rogers were converted into 1,000 common shares of Lantic, and the 1,000 issued and outstanding common shares of Lantic Sugar were converted into 1,000 common shares of Lantic. In addition, the 44,500,000 Class B shares of Rogers were converted into 44,500,000 Class B shares of Lantic. The one issued and outstanding Class C shares in both Lantic Sugar and Rogers were converted into two Class C shares of Lantic. As a result Lantic has 2,000 issued and outstanding common shares all owned by the Fund, no issued and outstanding Class A shares, 44,500,000 issued and outstanding Class B shares owned by Belcorp Industries Inc. (“Belcorp”) and two issued and outstanding Class C shares, held by Lantic Capital.

Each common share entitles its holder to receive notice of and to attend all meetings of shareholders of Lantic, and to one vote at such meetings. The Fund, as the holder of all of the common shares is, at the discretion of the board of directors of Lantic and subject to applicable legal restrictions, entitled to receive out of any or all profits or surplus of Lantic properly available for the payment of dividends any dividends declared by the board of directors on the common shares and payable by common shares.

In the event of the liquidation, dissolution or winding-up of Lantic or other distribution of its assets among its shareholders, the holder of the common shares is entitled to receive, after payment of all of the liabilities of Lantic and subject to the prior rights of the holders of the Class B shares and Class C shares, all of the assets of Lantic.

The holders of Class B shares are entitled to vote, on a *pro rata* basis to the number of Class B shares held, in all circumstances such that the total votes attaching to the Class B Share shall be equal to 10.01% of the aggregate votes of all Classes of shares entitled to vote at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belcorp and the Fund, the Fund is entitled to vote the Lantic Class B special shares so long as they remain outstanding.

The two Class C shares are redeemable by Lantic for \$1 each upon the termination of the Governance Agreement. The Class C shares entitle the holder to elect five of the seven directors of Lantic, but has no other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

Notes

Pursuant to a note indenture dated March 8, 2002, as amended and restated on June 3, 2003 and January 1, 2004, made between Lantic Sugar and Computershare Trust Company of Canada (now known as Computershare Investor Services Inc.), as note trustee (the “Lantic Note Indenture”), \$190,850,000 unsecured subordinated Series A notes (the “Lantic Series A Notes”), \$10,000,000 unsecured subordinated Series B notes (the “Lantic Series B Notes”) and \$48,500,000 unsecured subordinated Series C notes (the “Lantic Series C Notes” and, collectively with the Lantic Series A and Series B Notes, the “Lantic Notes”) were issued on March 8, 2002, in the case of the Lantic Series A and Series B Notes, and February 20, 2003, in the case of the Lantic Series C Notes. Pursuant to a First Supplemental Indenture following the Amalgamation, dated June 30, 2008, Lantic assumed all obligations, indebtedness and liabilities of Lantic Sugar under the Lantic Note Indenture. Interest is payable quarterly on or about the 15th day of January, April, July and October in each year to holders of record. Notwithstanding the foregoing, Lantic may, in its sole discretion, pay interest on the Lantic Notes by way of monthly installments of the quarterly interest payment under such notes not yet due. The Fund is the holder of all of the issued and outstanding Lantic Notes. The Lantic Notes mature on October 15, 2027.

The Lantic Notes bear interest at a variable rate determined by Lantic and the Fund in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties may consider relevant, including but not limited to Lantic’s earnings before taxes, depreciation, amortization and interest on the Lantic

Notes, subject to a maximum rate of 13.25% per annum on the Lantic Series A Notes and a maximum rate of 10% per annum on the Lantic Series B Notes and the Lantic Series C Notes, with all such notes having a minimum rate of 6% per annum.

On or about March 8, 2012, and from time to time thereafter, the board of directors and, if the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the Lantic Notes, the Trustees of the Fund shall jointly review the companies facilities and operations, the economic conditions relating to the sugar industry and the business prospects of Lantic with a view to determining whether it is likely that the indebtedness of Lantic evidenced by the Lantic Notes could be refinanced on the same terms and conditions upon maturity. If, in the opinion of either the board of directors of Lantic or the Trustees, it is unlikely that Lantic could refinance the Lantic Notes on the same terms and conditions upon maturity, then Lantic shall commence principal repayments of the Lantic Notes.

The Lantic Notes are unsecured debt obligations of Lantic and are subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of Lantic. However, so long as no default or event of default shall have occurred and be continuing or would occur as a result of such payment under the Lantic Debentures or Credit Facility (see Lantic Sugar Limited — “Senior Debentures” and “Credit Facility”), Lantic is entitled to repay all or any portion of the outstanding principal amount of the Lantic Series B Notes, together with all accrued and unpaid interest on the portion to be repaid.

The Lantic Notes provide that any of the following shall constitute an Event of Default (as such term is defined in the Lantic Note Indenture):

- (i) default in payment of the principal of the Lantic Series A, Series B and Series C Notes when the same becomes due;
- (ii) the failure to pay interest obligations of the Lantic Series A, Series B and Series C Notes when the same become due, subject to Lantic’s right to defer payment of interest for up to 18 months;
- (iii) material default upon indebtedness for borrowed money exceeding \$10 million;
- (iv) certain events of winding-up, liquidation, bankruptcy, and solvency, receivership, general assignment for the benefit of creditors, or proceedings with respect to a compromise or an arrangement under the *Company Creditors Arrangement Act* (Canada);
- (v) the taking of possession by an encumbrancer of all or substantially all of the property of Lantic;
- (vi) ceasing to carry on business in the ordinary course;
- (vii) defaults in performing any material agreement whereby any material property or rights of Lantic may be forfeited or terminated; or
- (viii) default in the observance or performance in any material covenant or condition of the Lantic Note Indenture and contained in such default for a period of 30 days after a notice in writing has been given by the note trustee under the Lantic Note Indenture to Lantic specifying such default and requiring Lantic to rectify the same.

Pursuant to a note indenture (the “Rogers Note Indenture”) dated October 8, 1997 and amended and restated as of February 8, 2001 and January 1, 2004, between Rogers and Montreal Trust Company of Canada (now Computershare Investor Services Inc.), as note trustee, Rogers was authorized to issue an unlimited amount of notes (the “Rogers Notes”) which will mature on October 15, 2027, subject to prepayment from time to time, as considered advisable by the board of directors of Rogers and subject to extension for an additional 10-year term in certain circumstances. Pursuant to a First Supplemental Indenture following the Amalgamation dated June 30, 2008, Lantic assumed all obligations, indebtedness and liquidities of Rogers under the Rogers Note Indenture. The Fund is the holder of \$278,260,870 principal amount of Rogers Notes, being all of the issued and outstanding Rogers Notes.

The Rogers Notes bear interest at a variable rate determined by Lantic and the Fund in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties consider relevant, including but not limited to Lantic’s earnings before taxes, depreciation, amortization and interest on the Rogers Notes, subject to a maximum rate of 11 1/2% per annum and a minimum rate of 6% per annum. Interest is payable on the Rogers Notes quarterly on or about the 15th day of January, April, July and October in each year to holders of record on the last day of each calendar quarter. Notwithstanding the foregoing, Lantic may, in its sole discretion, pay interest on the Rogers Notes by way of monthly installments of the quarterly interest payment under such notes not yet due. Lantic may defer the payment of interest on the Rogers Notes for up to 18 months to the extent that its earnings before interest, taxes, depreciation and amortization, less any interest

and principal paid on the credit facilities provided under the Credit Agreement (see “Credit Facilities”), are inadequate to pay the interest on the Rogers Notes.

In order to avoid substantial variations in distributions to the Fund under the method of calculation of the rate of interest on the Rogers Notes, the Trustees have the authority to declare and pay in any quarter and on such other date as the Trustees may determine from time to time, all or part of the interest paid on the Rogers Notes in that quarter and for such other period as the Trustees may determine from time to time, although all income of the Fund for a particular year will continue to be payable in that year.

From time to time, the board of directors of Lantic and, so long as the Fund holds at least 25% of the aggregate principal amount of the Rogers Notes outstanding, the Trustees, shall jointly review Lantic’s facilities and operations, economic conditions relating to the sugar industry and the business prospects of Lantic with a view to determining whether it is likely that the indebtedness of Lantic evidenced by the Rogers Notes could be refinanced on the same terms and conditions upon maturity. If, in the opinion of either the board of directors of Lantic or the Trustees, it is unlikely that Lantic could refinance the Rogers Notes on the same terms and conditions upon maturity, then Lantic shall commence principal repayments of the Rogers Notes.

The Rogers Notes are unsecured debt obligations of Lantic and are subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of Rogers.

The Rogers Note Indenture provides that any of the following shall constitute an Event of Default (as such term is defined in the Rogers Note Indenture):

- (a) default in payment of the principal of the Rogers Notes when the same becomes due;
- (b) the failure to pay interest obligations of the Rogers Notes when the same becomes due, subject to an ability to defer payment of interest for up to 18 months;
- (c) material default upon any indebtedness for borrowed money exceeding \$10 million;
- (d) certain events of winding-up, liquidation, bankruptcy, insolvency, receivership, general assignment for the benefit of creditors, or proceedings with respect to a compromise or arrangement under the *Companies’ Creditors Arrangement Act* (Canada);
- (e) the taking of possession by an encumbrancer of all or substantially all of the property of Lantic;
- (f) ceasing to carry on business in the ordinary course;
- (g) default in performing any material agreement whereby any material property or rights of the company may be forfeited or terminated; or
- (h) default in the observance or performance of any other material covenant or condition of the Rogers Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the note trustee under the Rogers Note Indenture to Rogers specifying such default and requiring Lantic to rectify the same.

Pursuant to a note indenture dated March 8, 2002 and amended and restated as of January 1, 2004, between Rogers and Computershare Trust Company of Canada (now known as Computershare Investor Services Inc.), as note trustee (the “Rogers Series A and Series B Note Indenture”), Rogers was authorized to issue \$7.5 million aggregate principal amount of unsecured, subordinated Series A notes of Rogers and \$25 million aggregate principal amount of unsecured, subordinated Series B Notes of Rogers (collectively, the “Rogers Series A and Series B Notes”). Pursuant to a First Supplemental Indenture following the Amalgamation dated June 30, 2008, Lantic assumed all obligations, indebtedness and liquidities of Rogers under the Rogers Note Indenture. The Rogers Series A and Series B Notes will mature on October 15, 2027, subject to prepayment from time to time, as considered advisable by the board of directors of Lantic, and subject to extension for an additional 10 year term in certain circumstances. The Fund is the holder of all of the issued and outstanding Rogers Series A and Series B Notes.

The Rogers Series A and Series B Notes bear interest at a variable rate determined by Rogers and the Fund in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties consider relevant, including but not limited to Lantic’s earnings before taxes, depreciation, amortization and interest on the Rogers Series A and Series B Notes, subject to a maximum rate of 10% per annum and a minimum rate of 6% per annum. Interest is payable quarterly on or about the 15th day of January, April, July and October in each year to holders of record. Notwithstanding the

foregoing, Lantic may, in its sole discretion, pay interest on the Rogers Notes by way of monthly installments of the quarterly interest payment under such notes not yet due.

On or about March 8, 2012, and from time to time thereafter, the board of directors of Lantic and, if the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the Rogers Series A and B Notes, the Trustees of the Fund shall jointly review Lantic's facilities and operations, economic conditions relating to the sugar industry and the business prospects of Rogers with a view to the determining whether it is likely that the indebtedness of Lantic evidenced by the Rogers Series A and B Notes could be refinanced on the same terms and conditions upon maturity. If, in the opinion of either the board of directors of Lantic or the Trustees, it is unlikely that Lantic could refinance the Rogers Series A and Series B Notes on the same terms and conditions upon maturity, then Lantic shall commence principal repayments of the Series A and Series B Notes.

The Rogers Series A and Series B Notes are unsecured debt obligations of Lantic and are subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of Lantic with the exception of the indebtedness of Lantic under the Rogers Notes referred to above.

The Rogers Series A and Series B Notes provide that any of the following shall constitute an Event of Default (as such term is defined in the Rogers Series A and Series B Note Indenture):

- (a) default in payment of the principal of the Rogers Series A and Series B Notes when the same becomes due;
- (b) the failure to pay interest obligations of the Rogers Series A and Series B Notes when the same becomes due, subject to an ability to defer payment of interest for up to 18 months;
- (c) material default upon indebtedness for borrowed money exceeding \$10 million;
- (d) certain events of winding-up, liquidation, bankruptcy, and solvency, receivership, general assignment for the benefit of creditors, or proceedings with respect to a compromise or an arrangement under the *Companies' Creditors Arrangement Act* (Canada);
- (e) the taking of possession by an encumbrancer of all or substantially all of the property of Rogers;
- (f) ceasing to carry on business in the ordinary course;
- (g) defaults in performing any material agreement whereby any material property or rights of Rogers may be forfeited or terminated; or
- (h) default in the observance or performance in any material covenant or condition of the Rogers Series A and Series B Notes Indenture and continuance of such default for a period of 30 days after a notice in writing has been given by the note trustee under the Rogers Series A and Series B Note Indenture to Lantic specifying such default and requiring Rogers to rectify the same.

Senior Debentures

On June 3, 2003, Lantic Sugar issued, on a private placement basis, \$65,000,000 aggregate principal amount of 5.89% senior secured debentures due June 4, 2008 (the "Debentures") pursuant to a trust indenture (the "Lantic Trust Indenture") dated as of May 29, 2003 made between Lantic and BNY Trust Company of Canada, as trustee. The Debentures bear interest at 5.89% per annum calculated and payable quarterly in arrears. The Debentures were fully repaid on their maturity date from available cash and funds from the credit facility.

Credit Facility

Further to the Amalgamation, Lantic, on July 4, 2008 entered into a Credit Agreement (the "Lantic Credit Agreement") with a syndicate of four Canadian chartered banks, as lenders, pursuant to which the lenders have made available to Lantic a Revolving Credit Facility (the "Revolving Facility") in the amount of \$200,000,000. This Revolving Facility matures on June 30, 2013. Funds from the Revolving Facility were used to repay in full any amounts that were outstanding on the former credit facilities of Rogers and Lantic Sugar.

In addition, in order to protect itself against fluctuations in interest rates, on July 7, 2008, Lantic entered into a \$70,000,000 Interest Swap Agreement (the "Swap Agreement") with a syndicate of three Canadian chartered banks, at a rate of 4.005%. The Swap Agreement terminates June 30, 2013.

At September 30, 2008, an amount of \$93,000,000 had been drawn from the Revolving Facility.

Distribution Policy

See "Rogers Sugar Income Fund — Administration — Governance Agreement".

REVIEW OF OPERATIONS AND BUSINESS

The Fund

The assets of the Fund consist of the Common Shares as well as the Notes. To the maximum extent possible, the Fund distributes to Unitholders amounts received by the Fund by way of dividends or return of capital on the Common Shares and interest and repayments of principal on the Notes after expenses, interest on the Debentures of the Fund (see "The Fund — Debt Instruments") and any cash redemptions of Trust Units, amounts paid or required by the Fund to purchase Trust Units (or other securities of the Fund which may be issued and outstanding from time to time) and amounts required for the operations of the Fund. Distributions to Unitholders are made on a monthly basis. Distributions are paid on or about the 29th day of the following month to the Unitholders of record as of the last day of the month for which such distributions are declared.

Cash distributions per Trust Unit for fiscal 2008, 2007 and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
October	\$ 0.0367	\$ 0.0350	\$ 0.0334
November .	\$ 0.0367	\$ 0.0350	\$ 0.0334
December..	\$ 0.0383	\$ 0.0350	\$ 0.0334
January.....	\$ 0.0383	\$ 0.0350	\$ 0.0334
February....	\$ 0.0383	\$ 0.0350	\$ 0.0334
March	\$ 0.0383	\$ 0.0350	\$ 0.0334
April	\$ 0.0383	\$ 0.0350	\$ 0.0334
May.....	\$ 0.0383	\$ 0.0367	\$ 0.0334
June.....	\$ 0.0383	\$ 0.0367	\$ 0.0334
July	\$ 0.0383	\$ 0.0367	\$ 0.0334
August	\$ 0.0383	\$ 0.0367	\$ 0.0350
September.	\$ 0.0383	\$ 0.0367	\$ 0.0350

The Sugar Industry

Per capita consumption of refined sugar in Canada, being at approximately 33 kilograms per year, decreased slightly over the last few years. Growth in total consumption is primarily linked to population increase.

Lantic purchases raw cane sugar ("raws") on the basis of world prices established by the market for No. 11 sugar quoted on the New York Intercontinental Exchange. A refining margin is added to the raw sugar purchase price to set a base-selling price for refined sugar.

Raw sugar prices are not a major determinant of the profitability of Lantic's cane sugar operations as the price at which sugar is both purchased and sold is related to the world price and all transactions are hedged. The profitability of Lantic's cane sugar operations is affected primarily by competitive conditions in the marketplace. There is currently no shortage of raw cane sugar in the international market, and none is anticipated in the foreseeable future.

The world sugar price can, however, impact the profitability of Lantic's beet operations, since the cost of beet sugar paid to the Alberta Sugar Beet Growers (the "Growers") is fixed, and the selling price of refined sugar rises or falls in relation to world raw sugar prices. High fructose corn syrup ("HFCS") is a sweetener derived from the milling of corn. It is competitive with refined sugar in liquid applications in the industrial market. A relatively high world raw sugar price will reduce the competitive position of refined cane sugar in Canada as compared to HFCS.

Lantic

Lantic has been in the sugar business for over 100 years and is the leading refiner, processor, distributor and marketer of sugar products in Canada. As the sole sugar processor in Western Canada, Lantic supplies over 90% of the demand for refined sugar in that region. In Eastern Canada, Lantic is one of the two major sugar refiners. Lantic has two cane sugar processing facilities, one in Montreal, Quebec and one in Vancouver, British Columbia. Lantic also has a beet sugar processing facility in Taber, Alberta. Lantic's sugar products are marketed primarily under the "Rogers" trade name in Western Canada, and under the Lantic trade name in Eastern Canada, and include granulated, icing, cube, yellow and brown sugars, liquid sugars and specialty syrups.

Three-Year History

In fiscal 2008, Lantic's export volume increased due mainly to the opening of special U.S. quotas. In August 2008, due to a potential shortage of refined sugar following severe damages to a major U.S. cane refinery, the United States Department of Agriculture ("USDA") announced an increase of 272,155 metric tonnes in its refined sugar quota. Of that amount, 40,000 metric tonnes was allocated specifically to Canada, 68,278 metric tonnes to Mexico, and the remaining 163,877 metric tonnes to a global quota to be filled on a first come first served basis. This initial quota was opened August 14, 2008 and will close at the latest, December 31, 2008. All Canadian refiners can participate in the shipments of refined sugar against the global quota, but the increase of 40,000 tonnes to the Canada-specific quota can only be supplied by beet sugar from Taber.

On October 27, 2008, the USDA announced that the Government of Mexico had informed the USDA that Mexico would continue to export sugar to the U.S. under the duty-free access provided by the North American Free Trade Agreement ("NAFTA") and therefore the portion allocated to Mexico will not be used and was available for re-allocation by the USDA. As a result, the 68,278 metric tonnes which were initially allocated to Mexico were re-allocated by the USDA to a global refined sugar quota to be supplied on a first-come-first-served basis.

The USDA reallocated this global quota under five tranches, the first being 28,278 metric tonnes opening October 30, 2008 and four other tranches of 10,000 metric tonnes opening every two weeks thereafter.

Lantic was also able to recapture, in Western Canada, some of the HFCS liquid substitutable business in fiscal 2008, as corn prices reached record levels during the year. This helped offset some losses of industrial and consumer volumes to competition from domestic suppliers and refined white sugar importers.

Following the Amalgamation on June 30, 2008, Lantic secured financing for the next five years with a syndicate of Canadian banks for a total of \$200.0 million. In addition, to protect itself against interest rate fluctuations, Lantic entered into a five-year interest swap agreement, also with a syndicate of Canadian banks, for an amount of \$70.0 million at a base rate of 4.0%, before any applicable margin fees of the Credit Agreement. Lantic believes this will stabilize interest costs for the next five years at competitive rates.

In fiscal 2007, Lantic's volume decreased substantially in Western Canada due in large part to lower export and liquid volume, and no thick juice volume. In fiscal 2006, the U.S. had opened special refined sugar quotas due to a shortfall in domestic production caused by hurricane Katrina. As such, Lantic sold approximately 58,000 metric tonnes against these special quotas in fiscal 2006. Lantic was able to mitigate that export volume decrease by shipping, for the first time to Mexico, and against the white sugar market to Israel. Liquid volume was lower due to the loss of two large HFCS substitutable accounts following the rise in raw sugar prices in early 2006. Even though raw sugar prices were down in fiscal 2007, these two accounts used HFCS during 2007. There were no thick juice sales in fiscal 2007, as our previous customer substantially reduced its capacity of transforming thick juice into sugar.

Exceptionally, in fiscal 2006, the USDA announced, on four different occasions, increases in the U.S. refined sugar global quota, due to shortages caused by hurricane Katrina and other weather related events that greatly reduced domestic sugar supplies in the U.S. The USDA announced on December 2, 2005, an increase of 150,000 tonnes to the U.S. global quota, to be followed by an additional increase of 150,000 tonnes on February 2, 2006, and a final increase of 100,000 tonnes on July 27, 2006. All of these quotas were opened on designated dates, on a first come first served basis. Lantic was able to ship approximately 36,000 metric tonnes against these various global quotas. In addition, on February 16, 2006, the USDA announced an increase of 25,000 tonnes to the Canada specific quota, which can only be supplied by beet sugar from Taber, the Canadian government having ruled that Canada's participation in its refined sugar quota must be with domestically grown sugar, i.e. beet sugar, and Lantic being the only beet sugar producer in Canada. The Taber factory was able to ship approximately 22,000 metric tonnes against that Canada specific quota prior to September 30, 2006, the date of this quota's closure.

In fiscal 2006, Lantic initiated a pre-hedge program for some of its beet sugar sold in Canada. As the beet sugar cost is fixed with the Growers, this pre-hedge program allowed Lantic to benefit from higher raw sugar values present in the Winter/Spring of 2006. In

total, approximately 62,000 metric tonnes were pre-hedged for fiscal 2007 and 2008. In fiscal 2007, 48,400 metric tonnes were liquidated at a substantial profit. In fiscal 2008, the remaining volume was also liquidated at a profit. For fiscal 2009, a total volume of 35,000 metric tonnes has been pre-hedged at over 14 cents per pound.

On March 22, 2006, Lantic announced a product withdrawal/recall due to metallic strands inadvertently entering the distribution system for certain products shipped to the Ontario and Maritime markets. After reviewing the incident with the Canadian Food Inspection Agency (the "CFIA"), it was decided to recall all sugar and products manufactured with such sugar during the period concerned.

While Lantic has insurance coverage in relation to the withdrawal of products produced with the sugar that was recalled, significant costs were absorbed related to the withdrawal, shipping and re-processing of all sugar thought to contain the metallic strands, as well as the insurance deductible for the claim. There were approximately 25 customers of Lantic that received sugar during that period. Products that were manufactured by these customers with that sugar were also recalled and destroyed. To date, all but one claim remains to be settled and Lantic believes this claim should be settled in the coming year. Lantic reviewed each settlement to ensure that customers were indemnified for all reasonable additional costs incurred.

Based on the costs incurred to date, and the estimated costs to be incurred in resolving the other related claim, a provision of \$0.3 million remains provided at the end of fiscal 2008 in regards to this incident. In total, costs over fiscal 2006, 2007 and 2008 were approximately \$1.1 million.

Natural gas is the second largest operating expense after labour. The price of natural gas increased by more than 35% from 2003 to 2005, increasing Lantic's costs significantly. Increases have been below 4% per year since 2006.

Lantic's selling practices in Western Canada changed from a delivered basis to an FOB basis, effective January 1, 2007, to be consistent with Eastern Canada. This allowed Lantic to substantially reduce distribution costs. The savings were somewhat offset with additional outside warehousing expenses for refined sugar as a result of the record beet crop achieved in fiscal 2007, followed by another high beet crop in fiscal 2008.

In 2004, Lantic started to sell beet thick juice to an export customer. This allowed Lantic to maintain a volume level comparable to that of previous years, despite the fact that more HFCS substitutable volume was lost to HFCS suppliers. The net contribution on beet thick juice sales exceeded the potential contribution on HFCS substitutable sales. In fiscal 2006, some of the beet thick juice was processed into granulated sugar in order to benefit from the higher selling margins that could be obtained on export sales to the U.S. from the additional Canada specific quota. No thick juice was sold in fiscal 2007 and 2008 as the user reduced its capacity of transforming this product.

Facilities

Cane Sugar Operations, Montréal, Québec

Lantic owns and operates a cane sugar refinery located on a 12-acre site in the east end of Montréal. The original facility was built in the late 1880s. Numerous improvements have been made to the building and processing areas of the plant over the years and, in 1998, a major expansion of the facility was undertaken.

Historically, the Montréal refinery, which was acquired in 1984 from St-Lawrence Sugar, had a straight-time melt capacity (*i.e.* the total amount of cane sugar that could be melted in a year (based on 250 work days) based on operation of the refinery for 24 hours per day) of approximately 210,000 metric tonnes per year. As a result of the successful completion of the expansion project in December of 2000, the straight-time annual melt capacity of the refinery was increased to 440,000 metric tonnes per year and could be increased to over 600,000 metric tonnes per year with overtime.

Cane Sugar Operations, Vancouver, British Columbia

Lantic owns and operates a cane sugar refinery located on a 15-acre site in Vancouver. The original facility was built in 1891. Numerous improvements have been done over the years.

The Vancouver refinery has the nominal capacity to produce approximately 230,000 tonnes of refined sugar per year. A full line of cane sugar products is produced, including over 40 different stock keeping units.

Beet Sugar Operations, Taber, Alberta

Lantic owns a beet sugar manufacturing facility situated on a 49-hectare site in Taber, Alberta, approximately 50 kilometers east of Lethbridge. Production is dependent upon the quantity of sugar beets processed. The facility is able to process 6,000 tonnes of beets per day.

Annually, Lantic estimates the quantity of sugar required to meet the demand of the prairie market and enters into contracts with individual farmers to supply sugar beets from a specific acreage. The sugar beets are harvested and delivered to the factory in September and October. The factory operates without interruption for a three to six month period, until all sugar beets have been processed. The beet sugar factory produces granulated, liquid and icing sugars. Sales of by-products, consisting of dried beet pulp sold as animal feed and molasses, make an important contribution to the economics of the beet sugar operation.

Blending Operations, Toronto, Ontario

Since October 2007, Lantic has been operating a bulk blending operation in a 65,000 square feet leased facility in Toronto, Ontario. The facility includes six blenders, each physically isolated for safe processing and elimination of any risk of ingredient cross-contamination.

Cane Sugar Distribution Centre, Toronto, Ontario

Lantic also owns and operates a distribution centre located on a one-acre site in Toronto, Ontario. This distribution centre allows Lantic to better serve customers located in Ontario. Shipments of refined sugar are made mainly by railcar from the Montréal facility to the Toronto distribution centre, where it is warehoused and later distributed to customers.

Refining Costs

There are three components to Lantic's refining costs: processing, packaging and maintenance.

Processing costs are generally variable and consist mainly of labour, material and energy costs. All production employees are full-time unionized employees. The Taber beet factory will operate continually until all sugar beets have been sliced and processed into refined sugar or beet thick juice. The Vancouver refinery acts as a swing refinery and its production level is largely influenced by the Taber beet operations. Processing materials consist mainly of agents used in the refining process. Energy costs are affected by the fluctuations in natural gas and oil prices. The Montréal refinery operates on a continuous basis in order to maximize production and reduce employee downtime associated with plant shutdowns and start-ups.

Packaging costs relate to all products except bulk and liquid sugar. Such costs consist mainly of labour and packaging materials.

Maintenance costs are generally fixed. Preventive maintenance programs are in place to ensure maximum efficiency in the processing stage and to reduce costs related to mechanical breakdown.

Use of Financial Derivatives for Hedging

Sugar

In order to protect itself against fluctuations of the world raw sugar market, Lantic follows a rigorous hedging program for all purchases of raw cane sugar and sales of sugar.

The world raw sugar market (# 11) is only traded on the Intercontinental Exchange. Sugar futures can be traded forward for a period of three years against four specific terminals per year (March, May, July and October). The terminal values are used to determine the price settlement upon the receipt of a raw sugar vessel or the delivery of sugar to Lantic's customers. The Intercontinental Exchange rules are strict and are governed by the New York Board of Trade ("NYBOT"). Any amount owed, due to the movement of the commodity being traded, has to be settled by cash the following day (margin calls/payments).

For the purchasing of raw sugar, Lantic enters into long-term supply contracts with reputable raw sugar suppliers. These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar

will be determined later by the seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced. As an example, a vessel to be shipped in January would be priced against the next terminal being March of that year (each terminal expires on the last day of the previous month). Therefore, the seller has the ability to price throughout the duration of the contract any volume to be shipped against a specific terminal. When the seller wants to price a certain quantity he must immediately secure a futures position for Lantic on the Intercontinental Exchange (selling a future in this case) for the same volume and price. The futures contract value taken will become the price Lantic will pay the seller for the raw sugar upon delivery. As an example, the seller may want to price on October 1, 2008 1,000 metric tonnes for delivery in January 2009 against the March 2009 terminal. The price as at October 1 is 11.50 cents per pound, or US\$253.53 per metric tonne. This is called “firming” the price of raw sugar. A vessel of 40,000 metric tonnes may have been priced on many different dates, but for each transaction, Lantic would have sold a futures position for the same price and volume on the Intercontinental Exchange.

The selling of refined sugar by Lantic is also done under the world raw sugar market (# 11). When a sales contract is negotiated with a customer, the sales contract will determine the period of the contract, the expected delivery period against specific terminals and the refining margin and freight rate to be charged over and above the value of the sugar. The price of the sugar is not yet determined but needs to be fixed by the customer prior to delivery. The customer will make the decision to fix the price of the sugar when he feels the sugar market is favourable, against the sugar terminal as per the anticipated delivery period.

As an example, customer “A” negotiates a contract with Lantic from July 2008 to June 2009, for delivery of 1,000 metric tonnes of sugar per month, for a total of 12,000 metric tonnes. In August 2008, customer “A” decides to firm the price of the sugar to be delivered in January 2009 (against the March terminal). That day in August, the price of sugar for March 2008 terminal is 9.75 cents per pound or US\$214.95 per metric tonne. As customer “A” prices this sugar with the Lantic trading desk, Lantic will at the same time buy a futures position for the same volume and price on the futures market to hedge Lantic and protect itself from any fluctuations in the sugar market.

The following describes how, from the above examples, Lantic protected itself against fluctuations in the market. Lantic sold 1,000 metric tonnes to customer “A” for January 2009, which had been priced at 9.75 cents per pound or US\$214.95 per metric tonne. Lantic had also purchased 1,000 metric tonnes of sugar, which had been priced at 11.50 cents per pound or US\$253.53 per metric tonne. Both of these transactions were hedged against the March 2008 terminal. Upon receipt and delivery of the sugar, these transactions would be recorded at their cost.

On the physical transaction, Lantic sold 1,000 metric tonnes of sugar at 9.75 cents per pound (before refining margin), which it had bought from the seller at 11.50 cents per pound. On the physical transaction, Lantic would incur a loss of 1.75 cents per pound or US\$38.58 per metric tonne for 1,000 tonnes, for a total loss of US\$38,580.00.

On the futures side (paper transaction), Lantic will liquidate all of its position prior to March 1, 2009. For the above transactions, Lantic sold a future position of 1,000 metric tonnes for 11.50 cents per pound and bought a future position of 1,000 metric tonnes for 9.75 cents per pound. On the liquidation date, the March terminal trades at 10.25 cents per pound. Therefore Lantic will buy back the 11.50 cents (original sell position) for 10.25 cents, making 1.25 cents per pound. On the other hand, Lantic will sell the original buy position of 9.75 cents for 10.25 cents, making 0.50 cents per pound on this transaction. In total, Lantic will make 1.75 cents per pound or US\$38.58 per metric tonne for a total, on 1,000 metric tonnes, of US\$38,580.00 on the liquidation of the futures transaction. The loss incurred on the physical transaction is therefore totally offset by the gain earned on the liquidation of the futures position, due to the hedging of the transaction.

Inefficiencies could occur and a small gain or loss could be incurred on hedged transactions. Every year, Lantic estimates sales patterns against the receipt of sugar deliveries. Any discrepancies in these estimates may result in a small gain or loss on hedged transactions. A customer may be taking more or less sugar than determined under its contract, and a small gain or loss may be incurred on the hedged transaction.

Lantic mitigates the impact of the above by reviewing on a daily basis the total hedged position to ensure that in total, all sugar transactions are hedged. Lantic will also prepare a hedged transaction report by terminal periods to ensure there is no straddle within each terminal period. In the event that a straddle position exists due to circumstances discussed above, Lantic will immediately convert the straddle and record immediately any gain or loss incurred in correcting the straddled position. In addition, if a customer is late in taking delivery of its “priced” sugar, and if Lantic needs to roll forward the un-drawn quantity to the following terminal period, Lantic can invoice the customer for all costs incurred in rolling forward the un-drawn volume.

Beet Sugar

As previously discussed, Lantic purchases sugar beets from the Growers under a fixed price formula, which does not fluctuate with the price of raw sugar. Except for sales to the U.S. under the export quota, to HFCS substitutable accounts and for beet thick juice, all other sales are made under the same formula as cane sugar, following the world raw sugar price. This represents approximately 60,000 to 70,000 metric tonnes per year, based on the size of the beet crop.

During fiscal 2006, Lantic's Board of Directors authorized management to hedge forward up to 80% of the Taber sales to be made under the raw sugar formula as long as a beet sugar contract was signed with the Growers for those years. This was done to allow Lantic to benefit from a sudden rise in the raw sugar market. Any gains (if a sales contract is entered at a lower raw value) or losses (if a sales contract is entered at a higher raw value) incurred when those positions are unwound, will be recognized in the period when that quantity of beet sugar is delivered.

Natural Gas

In 2001, the Board of Directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

On average, Lantic will purchase approximately 3.5 million gigajoules of natural gas per year to be used in its refining operations. To protect against large and unforeseen fluctuations, Lantic can hedge forward up to 80% of its estimated usage over the next 24 months, and lower percentages of its estimated usage on a longer term basis. Lantic will hedge close to its maximum level allowed if natural gas prices are below a certain percentage of last year's average price and therefore lock-in year-over-year savings.

These gas hedges are unwound in the months that the commodity is used in the operations, at which time any gains or losses incurred are then recognized.

Variation Margins (margin calls)

For all hedged sugar on the futures market, Lantic must settle with their commodity broker on the following day any gains or losses incurred on the net hedged position of these commodities, based on the trading values at closing of the day. These daily requirements are called "margin calls".

When sugar prices are on the rise, Lantic's sugar suppliers will price in advance large quantities of sugar in order to benefit from these higher prices. On the other hand, Lantic's customers will only price forward small quantities, hoping for a downward correction in the marketplace. This will result in Lantic having a "short" paper position. As the price of sugar continues to rise, Lantic has to pay margin calls on a regular basis. These margin calls are paid back to Lantic when the price of sugar declines or upon receipt or delivery of sugar.

Foreign Exchange

Raw sugar transactions are based on the U.S. dollar. Lantic also buys natural gas in U.S. dollars, and will have some sales to the U.S. or in Canada, to customers transacting in U.S. dollars.

In order to protect itself against the movement of the Canadian dollar against the U.S. dollar, Lantic, on a daily basis, reconciles all of its exposure to the U.S. dollar and will hedge (against various forward months estimated from the date of the various transactions) the net position.

Interest rate swap

In order to fix the interest rates on a substantial portion of the expected drawdown of the Revolving Facility, on July 7, 2008, Lantic entered into the Swap Agreement for an amount of \$70,000,000 with a syndicate of three Canadian chartered banks. (See "Lantic Inc., Credit Facility.")

Accounting for Financial Instruments

New section 3855 of the CICA Handbook expands on section 3863 by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount and how gains and losses are recognized. This section was effective October 1, 2006 and was therefore put into application with the release of the first quarter results of fiscal 2007.

It requires Lantic to mark to market, at each reporting period, all financial derivatives outstanding at the end of such periods, which have not been designated as accounting hedges. Due to a new definition and requirements of hedge items, Lantic has concluded that all of its financial derivatives for sugar, foreign exchange, natural gas, and interest rate swap would no longer be designated as accounting hedges under the new rules.

As a result, Lantic recognizes, on a quarterly basis, in its profit and loss statement and balance sheet all movement in the price (mark to market) of these financial derivatives. Even though Lantic is rigorously hedging all its sugar transactions, this new requirement can cause large fluctuations in the financial results for each reporting period. None of these adjustments impacts distributable cash, as they are non-cash transactions.

The above description shows how financial derivatives are used to provide adjusted income results.

Distribution and Marketing

Lantic's sugar products are marketed in Eastern Canada under the "Lantic" trade name and in Western Canada under the "Rogers" trade name. These products include granulated, icing, cube, yellow and brown sugars, liquid sugars, and specialty syrups. Of sugar products sold by Lantic during the past fiscal year, approximately 77% were to the industrial market, 17% were to the consumer market, and 6% were for export. No single customer accounted for 15% or more of Lantic's revenues in fiscal 2008 and fiscal 2007.

Trademarks and Trade Names

Lantic uses the "Lantic" and "Rogers" trade names on its products. These trademarks have been registered and Lantic is the only entity that can use it with respect to sugar, syrup, beet pulp and molasses products. Lantic has also registered the trademarks for "Plantation Raw" and "Rogers Golden Syrup". Lantic does not have any material patents or licenses.

Competition

In Eastern Canada, Lantic is one of two major sugar refiners. Redpath Sugar Ltd. is based in Toronto, Ontario and operates a single refinery with a straight-time melt capacity that management estimates to be of approximately 500,000 tonnes per year.

The market shares by volume of Eastern Canada shipments of domestic cane refiners since 2004 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Lantic	46.7	47.9	46.3	45.9	45.9
Redpath Sugar Ltd.	53.3	52.1	53.7	54.1	54.1

In addition to Redpath Sugar Ltd., in Eastern Canada, Lantic's competition includes Sucor, based in Saint John, New Brunswick, and small regional distributors, which source their refined sugar from either domestic or foreign suppliers. Over the last five years, the market share held by these distributors has varied from three to six percent of eastern sugar consumption.

Competition in the western Canadian market comes mainly from imports in the industrial and consumer segments and from HFCS for liquid substitutable products. In 2003, Costa Rican producers started marketing refined sugar in Western Canada as they gained duty free access for 20,000 metric tonnes of refined sugar, pursuant to the bilateral free trade agreement concluded with Canada in 2001. This limit will gradually increase to 40,000 metric tonnes in 2010. Competition from Eastern Canada refiners is somewhat mitigated by the high cost of transportation from Eastern Canada to the prairie and Vancouver markets.

A sugar processor's competitiveness is dependent on a number of factors, including reliability of supplies, cost-effective distribution channels and consistent quality of products.

Legislative Issues

As part of a regulated sugar program, the United States restricts imports of refined sugar. Prior to 1995, the former Rogers shipped up to 40,000 tonnes of refined sugar annually to the United States.

In October 1995, the United States assigned a specific sugar quota of 10,300 tonnes to Canada, in addition to a global quota of 7,000 tonnes. The Canadian government has ruled that Canada's participation in its refined sugar quota must be with domestically grown sugar, i.e. beet sugar. As Rogers is the only beet sugar producer in Canada, it has filled the available Canada specific quota to the U.S. every year.

In November 1995, anti-dumping tariffs and countervailing duties were imposed against the United States and certain European Union countries. Under Canadian law, these duties must be reviewed every five years. On November 3, 2000 and November 2, 2005, the Canadian International Trade Tribunal continued the anti-dumping tariffs and countervailing duties against the United States and certain European Union countries for further successive periods of five years, respectively.

In April 2001, the Canadian government signed a bilateral free trade agreement with Costa Rica, which includes the phase-out of the present 8% (approximately \$30 per tonne) duty on imports of refined sugar to Canada. In 2003, Costa Rica gained duty free access for 20,000 tonnes of refined sugar to Canada, gradually increasing to 40,000 tonnes in 2010. This poses a potential threat to Lantic and the other major Canadian refiner which did not receive meaningful access to the Costa Rican market and will be left with no protection against such imports. Given the impacts of this agreement and strong objection of Canada's sugar industry, the Government of Canada continues to take the specific concerns of the industry into account to ensure that this agreement does not serve as a model for future negotiations.

In 2008, as part of its new "Global Commerce Strategy", the Canadian Government announced a strengthened focus on regional and bilateral trade negotiations, including the expansion of Canada's bilateral trade network with countries in South and Central America. Lantic has been actively supporting the work of the Canadian Sugar Institute in informing government officials and politicians of the threat to Canada's sugar industry of such trade agreements, particularly with surplus sugar producers in Colombia and Central America.

On June 7, 2008 Canada concluded free trade ("FTA") negotiations with Colombia including distinct sugar provisions reflecting significant input from the Canadian Sugar Institute. The FTA avoided providing any immediate duty-free access and will instead result in the reciprocal, long term (17 years) phase out of sugar tariffs in the two countries. Formal trade negotiations with Central America (CA-4) have been suspended since 2004; however, the Government of Canada was active in exploratory discussions in 2008 in an attempt to re-engage formal negotiations. Lantic continues to remain concerned that the inclusion of refined sugar in the negotiations may result in substantial new duty-free imports from these countries while not providing any offsetting export market opportunities.

The opportunities for the Canadian sugar industry depend on multilateral trade liberalization. For the industry to prosper from new trade agreements, there is a need to combine a substantial increase in access to the U.S. market for both refined beet and cane sugar, as well as the many sugar containing products that force restrictive quotas. It is also important to eliminate the distorting price effects that sugar programs in the U.S. and European Union have on the international refined sugar market.

Human Resources

Lantic, at the Montreal refinery's eastern operation has 366 employees, 261 of whom are unionized and separated into 5 locals. The CSN, a confederation of Québec union locals represents the main local of the production employees at the Montréal refinery. The Bakery, Confectionery and Tobacco Workers International Union and the CSN represents the other 4 existing smaller locals. In November 2008, Lantic concluded a new five-year labour agreement with all the collective agreements expiring in February 2013.

There are 23 unionized employees at the Toronto distribution center represented by Local union 419 of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America of which there are 13 warehouse employees whose collective agreement expires in June 2012, and 10 truck drivers, whose collective agreement expires in March 2009.

Lantic has 157 permanent employees at the Vancouver refinery's western operation, whom are represented by the Retail Wholesale Union. In September 2007, Lantic concluded a new three-year labour agreement with such employees at the Vancouver refinery, which expires on February 28, 2010. At the Taber beet processing facility, 79 of the 117 permanent employees are represented by the United Food and Commercial Workers Union. The collective agreement expires on March 31, 2009. In addition, the Taber beet processing facility hires approximately 230 seasonal employees for the beet processing campaign.

Rogers' liability for environmental matters under the Kalama sale agreement was terminated as a result of a settlement completed on June 30, 2008. The settlement involved Rogers, the purchaser under the 1994 Kalama sale agreement, Goodrich Corporation ("Goodrich"), Lantic Realco and certain related parties. As part of this settlement, a trust fund established in 1994 in connection with the sale of Kalama was disbursed to Goodrich as reimbursement for incurred and estimated future cleanup costs at the Kalama properties. Also, Goodrich indemnified Rogers for any liability under environmental law relating to the three Kalama properties and the U.S. superfund sites involving Kalama. The indemnity from Goodrich applies until February 28, 2011.

Management continues to monitor estimates of the cost to clean up the Chatterton property. Under a settlement reached with a former owner of the Chatterton property, the former owner released its claim to recover the 50% of cleanup costs it had paid, and paid \$1.5 million in escrow to be available to Lantic Realco upon the conclusion of the cleanup of the Chatterton property. In that settlement, the former owner was released by Rogers, Chatterton, the Lantic Holdings Companies, Lantic Realco and its affiliates from substantially all further environmental liability relating to the Chatterton property and was indemnified by Lantic Realco and an affiliate of Lantic Realco from such liability.

The Lantic Holdings Companies also obtained for Rogers in 1997 a \$50.0 million insurance policy to cover 90% of the cleanup costs in excess of the cleanup cost estimated in 1997 for each of the three Kalama properties, the four Kalama "superfund" sites and the Chatterton property. The insurance policy continues to apply for the Chatterton property. No claim has been made for the Chatterton property, as cleanup costs for this site have not exceeded the cleanup cost estimated at the time the insurance was acquired.

With the environmental indemnity from Lantic Realco and recourse to the other funding sources referenced above, Lantic's management believes Lantic has no significant risk of material loss or expense as a result of historic environmental issues relating to the Kalama or Chatterton properties.

RISK FACTORS

Lantic's business and operation are substantially affected by many factors, including prevailing margins on refined sugar, weather conditions, their ability to market sugar competitively, operating costs and government programs and regulations.

Dependence upon Lantic

The Fund is an open-ended limited purpose trust which is entirely dependent upon the operations and assets of Lantic through its ownership of securities of those companies. Accordingly, interest payments to Debentureholders and cash distributions to Unitholders will be dependent upon the ability of Lantic to pay its interest obligations under the Notes and to declare and pay dividends on or return capital in respect of the Common Shares. The terms of Lantic's respective bank and other indebtedness may restrict its ability to pay dividends and make other distributions on their shares or make payments of principal or interest on subordinated debt, including debt which may be held, directly or indirectly, by the Fund, in certain circumstances. In addition, Lantic may defer payment of interest on the Notes at any given time for a period of up to 18 months.

Fluctuations in margins and foreign exchange

Lantic's profitability is principally affected by the margins on domestic refined sugar. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. Lantic, through the United States specific quota, sells approximately 10,000 metric tonnes of refined sugar per year in the United States, and also sells beet pulp to export customers in U.S. dollars. Lantic's Taber sugar sales in Canada are priced against the # 11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid to the Growers in Canadian dollars. Fluctuations in the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by Lantic's Taber beet plant, most sales are in Canada and have little exposure to foreign exchange movements.

Fluctuations in raw sugar prices

Raw sugar prices are not a major determinant of the profitability of Lantic's cane sugar operations, as the price at which sugar is both purchased and sold is related to the world raw sugar price and all transactions are hedged. The world raw sugar price can, however, impact the profitability of Lantic's beet operations, as sugar derived from beets is purchased at a fixed price from the Growers, and the selling price of refined sugar rises or falls, for any volume not sold under the United States specific quota, as beet thick juice or as HFCS substitutable products, in relation to the world raw sugar prices.

A relatively high world raw sugar price will also reduce the competitive position of refined cane sugar in Canada as compared to HFCS that could result in the loss of HFCS substitutable business for Rogers.

Weather and other factors related to production

Sugar beets, as with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect Lantic's sugar yield of beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Lantic.

Competition

Lantic faces competition from Redpath Sugar Ltd., Sucor and smaller regional distributors of both foreign and domestic refined sugar. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes corn-based sweeteners, such as HFCS, an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications and non-nutritive, high-intensity sweeteners such as Aspartame. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners are not interchangeable in all applications. The substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of Lantic.

Operating costs

Lantic uses large quantities of energy, principally natural gas, in their operations. Moreover, Lantic's beet plant in Taber, Alberta uses larger quantities of energy in its operations than Lantic's cane facilities in Vancouver and Montréal, principally as a result of the need to heat the cossettes (which are slices of sugar beets), to evaporate water from juices containing sugar and to dry the wet beet pulp. Changes in the costs and sources of energy may affect the financial results of Lantic's operation. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. Lantic hedges natural gas prices through the use of natural gas futures to lessen the impact of fluctuations in the price of natural gas.

Government regulations and foreign trade policies

In July of 1995, the Canada Revenue Agency made a preliminary determination that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea, into Canada, and that subsidized refined sugar was being imported into Canada from the United States and European Union countries.

The Canadian International Trade Tribunal ("CITT") reviewed the case and ruled that: (a) sugar was being dumped from the United States, Denmark, Germany, the United Kingdom and the Netherlands; (b) sugar was being subsidized from the European Union; and (c) the actions were threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of duties by the Canada Revenue Agency. Under Canadian laws, these duties must be reviewed every five years. On November 3, 2000 and on November 2, 2005, the CITT continued for a further five years the anti-dumping and countervailing duties imposed on imports of refined sugar from the United States and the European Union.

The duties are important to Lantic and to the Canadian sugar refinery industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. Although some changes have occurred in the United States and European Union sugar programs since 1995, they have not materially affected the factors that originally led to the decisions on dumping and subsidization. There is no assurance that in 2010, these duties will be continued for a further five years.

In April 2001, the Canadian government signed a bilateral free trade agreement with Costa Rica, which includes the phase-out of the present 8% (approximately \$30 per tonne) duty on imports of refined sugar to Canada. In 2003, Costa Rica gained duty free access for 20,000 tonnes of refined sugar to Canada, gradually increasing to 40,000 tonnes in 2010. This poses a potential threat to Lantic and the other major Canadian refiner which did not receive meaningful access to the Costa Rican market and will be left with no protection against such imports. Given the impacts of this agreement and strong objection of Canada's sugar industry, the Government

of Canada continues to take the specific concerns of the industry into account to ensure that this agreement does not serve as a model for future negotiations.

In 2008, as part of its new “Global Commerce Strategy”, the Canadian Government announced a strengthened focus on regional and bilateral trade negotiations, including the expansion of Canada’s bilateral trade network with countries in South and Central America. Lantic has been actively supporting the work of the Canadian Sugar Institute in informing government officials and politicians of the threat to Canada’s sugar industry of such trade agreements, particularly with surplus sugar producers in Colombia and Central America.

On June 7, 2008 Canada concluded FTA negotiations with Colombia including distinct sugar provisions reflecting significant input from the Canadian Sugar Institute. The FTA avoided providing any immediate duty-free access and will instead result in the reciprocal, long term (17 years) phase out of sugar tariffs in the two countries. Formal trade negotiations with Central America (CA-4) have been suspended since 2004; however, the Government of Canada was active in exploratory discussions in 2008 in an attempt to re-engage formal negotiations. Lantic continues to remain concerned that the inclusion of refined sugar in the negotiations may result in substantial new duty-free imports from these countries while not providing any offsetting export market opportunities.

Employee relations

The majority of Lantic’s operations are unionized.

The collective agreement with respect to the employees of the Taber beet factory expires on February 28, 2009. There can be no assurance that a new agreement will be reached with the union, or that the terms of such an agreement will be similar to the terms of the current agreement.

Strikes or lockouts could restrict the ability of Lantic to service its customers in the affected regions, consequently affecting their revenues.

Food safety and consumer health

Lantic is subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. Lantic actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance.

Lantic’s facilities are subject to audit by federal health agencies in Canada and similar institutions outside of Canada, and performs its own audits to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

Environmental matters

The operations of Lantic is subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. Management believes that the Company is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and Lantic anticipates that trend continuing, potentially resulting in the incurrence of material costs to achieve and maintain compliance. Violation of these regulations can result in fines or other penalties, which, in certain circumstances, can include cleanup. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by Lantic currently or in the past or produced by the operations of either of them can be imposed by environmental regulators or third parties. No assurance can be given that any such liabilities will not be material.

Income tax matters

Tax Related Risk

The income of the Fund must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of cash distributions. There can be no assurance that taxation authorities will accept the

tax positions adopted by the Fund or its subsidiaries, including their determinations of the amounts of federal and provincial income and capital taxes and the reasonableness of inter-company transfer prices, which could materially adversely affect cash distributions.

Income fund structures generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash distributions available. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the debt owed by Lantic to the Fund.

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of trust units. It is assumed that the Fund currently qualifies as a "mutual fund trust" under the Tax Act. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations could be materially and adversely different in certain respects.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada (within the meaning of the Tax Act) unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. The Declaration of Trust contains mechanisms to ensure that the Fund is not maintained primarily for the benefit of non-residents of Canada. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act providing that a trust will lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents of Canada or partnerships that are not "Canadian partnerships" (as defined in the Tax Act) is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of the Fund were held by non-residents of Canada and non-Canadian partnerships, the Fund may thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion to implement certain measures proposed in the September 16, 2004 draft amendments. However, such Notice did not include the above-mentioned proposal concerning mutual fund trusts maintained primarily for the benefit of non-residents of Canada. In addition, the Minister of Finance (Canada) announced on December 6, 2004 as well as in the 2005 federal budget proposals that further discussions would be pursued with the private sector in this respect.

On October 31, 2006, the Minister of Finance (Canada) announced new tax proposals concerning the taxation of income trusts and other flow-through entities (the "SIFT Rules"). Bill C-52, *Budget Implementation Act, 2007*, which received Royal Assent on June 22, 2007, contained the SIFT Rules. On July 14, 2008, the Minister of Finance (Canada) announced proposed amendments to the Tax Act (the "July 14 Proposed Amendments"), which included technical amendments to clarify certain aspects of the SIFT Rules. The July 14 Proposed Amendments also provided rules to facilitate the conversion of existing income trusts into corporations on a tax deferred basis. Under the SIFT Rules, the Fund, as a publicly traded income trust, is considered a specified investment flow-through ("SIFT") trust and will be subject to trust level taxation as of January 1, 2011 at a rate comparable to the combined federal and provincial corporate tax rate on certain types of income. In addition, the taxable distributions received by Unitholders will be treated as dividends from a taxable Canadian corporation.

There can be no assurance that the Fund will be able to retain the benefit of the deferred application of the new tax regime until 2011. If the Fund is deemed to have exceeded normal growth during the period from November 1, 2006 to December 31, 2010, as described in a press release issued by the Department of Finance (Canada) on December 15, 2006 that provides guidance on what the Department of Finance means by "normal growth" (the "Normal Growth Guidelines"), the 2006 Proposed Amendments would become effective on a date earlier than January 1, 2011.

The Normal Growth Guidelines indicate that the Fund will not lose the benefit of the deferred application of the new tax regime to 2011 if the equity capital of the Fund does not grow as a result of issuances of new equity (which includes Trust Units, debt that is convertible into Trust Units, and could potentially apply to other alternatives for such equity) by an amount that exceeds the greater of \$50 million and an objective "safe harbour" amount based on the Fund's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of the Fund's issued and outstanding publicly traded units (not including debt, options or other interest convertible into units)) (the "October 31, 2006 Market Capitalization"). More specifically, the "safe harbour" for the intervening years up to 2011 will be as follows:

<u>Time Period</u>	<u>Safe Harbour Amount</u>
November 1, 2006 to December 31, 2007 ...	40% of October 31, 2006 Market Capitalization
2008	20% of October 31, 2006 Market Capitalization
2009	20% of October 31, 2006 Market Capitalization
2010	20% of October 31, 2006 Market Capitalization

As the above-noted table illustrates, in the aggregate, a publicly traded income trust or other flow-through entity can incrementally increase its equity capital by 100% of its October 31, 2006 Market Capitalization.

On June 26, 2007, the Ministère des Finances (Québec) (the “Ministère”) published Information Bulletin 2007-5 confirming that Québec’s tax legislation will be harmonized with the SIFT Rules but that a separate Québec tax regime relating to SIFT entities will be implemented. More specifically, the Ministère announced that a SIFT with an establishment in Québec at any time in a taxation year will be subject to a Québec tax at a rate generally equal to the Québec tax rate relating to corporations and that a business allocation formula based on the gross income of a SIFT and the wages and salaries it pays, similar to the one used for the purposes of determining the tax payable by a corporation that has activities in Québec and outside Québec, will apply to determine the tax payable to Québec by a SIFT that has, in a taxation year, an establishment both in Québec and outside Québec. In the March 13, 2008 Québec Budget, the Ministère indicated that the Québec rules would apply as of the 2007 taxation year. The Minister of Finance (Canada) has indicated in the July 14 Proposed Amendments how the SIFT Rules will be amended to take into account the proposed Québec tax regime.

The SIFT Rules may adversely affect the marketability of the Trust Units and the ability of the Fund to undertake financings and acquisitions, and, at such time as the SIFT Rules apply to the Fund, the distributable cash of the Fund may be materially reduced.

The fund is monitoring legislative developments regarding mutual fund trusts and SIFT trusts in order to minimize, to the extent possible, any material adverse effects on the Fund.

Nature of trust units

Securities such as Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Trust Units do not represent a direct investment in Lantic’s business, and should not be viewed by investors as shares in Lantic. As holders of Trust Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation, including, for example, the right to bring “oppression” or “derivative” actions. Each Trust Unit represents a fractional interest in the Fund. The price per Trust Unit is expected to be a function of anticipated distributable income.

Management and operation of Lantic

The board of directors of Lantic is currently controlled by Lantic Capital, an affiliate of Belkin Enterprises. As a result, holders of Trust Units have limited say in matters affecting the operations of Lantic and, if such holders are in disagreement with the decisions of the board of directors of Lantic, they have limited recourse. The control exercised by Lantic Capital over the board of directors of Lantic may make it more difficult for others to attempt to gain control of or influence the activities of Lantic and the Fund.

DISTRIBUTIONS

For a description of the distribution policy of the Fund, see “Rogers Sugar Income Fund – Distributions”.

For a detailed table of the cash distributions made per Trust Unit for each of the three most recently completed financial years, see “Review of Operations and Business – The Fund”.

DESCRIPTION OF CAPITAL STRUCTURE

For a general description of the Fund’s capital structure and of the Trust Units and Debt Instruments, see “Rogers Sugar Income Fund – Declaration of Trust and Description of Trust Units” and “Rogers Sugar Income Fund – Debt Instruments”.

The Declaration of Trust provides certain restrictions to non-residents of Canada who may not be the beneficial owners of a majority of the Trust Units, see “Rogers Sugar Income Fund – Limitation on Non-Resident Ownership”.

MARKET FOR SECURITIES

Trust Units are listed for trading on the Toronto Stock Exchange under the symbol RSI.UN and Second Series Debentures and Third Series Debentures are listed for trading on the Toronto Stock Exchange under the symbol RSI.DB and RSI.DB.B respectively.

The monthly trading volume and price ranges of the Fund’s securities traded on the Toronto Stock Exchange over the last financial year are as follows:

<u>Month</u>	<u>Trust Units</u>			<u>Second Series Debentures</u>			<u>Third Series Debentures</u>		
	<u>High</u>	<u>Low</u>	<u>Volume</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
October 2007	5.03	4.65	2,819,468	102.25	100.01	3,940	104.49	99.70	15,680
November 2007	4.98	4.26	2,268,193	101.99	97.40	4,640	101.01	95.05	15,840
December 2007.....	4.92	4.38	2,571,298	100.80	96.05	5,440	100.00	95.46	11,770
January 2008.....	5.28	4.65	5,141,616	102.75	97.50	16,810	105.50	98.00	55,800
February 2008.....	5.19	4.84	3,605,926	101.50	100.02	5,235	103.50	100.00	31,700
March 2008.....	5.58	4.91	4,062,273	104.85	100.02	7,050	109.00	100.50	63,830
April 2008.....	5.41	5.02	2,330,798	102.74	99.50	6,100	106.00	102.00	27,080
May 2008.....	5.11	4.35	5,865,588	102.00	95.55	8,724	102.50	94.30	33,320
June 2008.....	4.73	4.20	5,719,040	102.00	98.50	3,200	99.75	98.25	32,810
July 2008	4.53	4.08	2,549,282	100.00	98.50	7,850	99.69	95.10	16,310
August 2008.....	4.56	4.20	1,576,303	101.00	98.50	3,480	99.49	96.50	21,800
September 2008	4.45	3.85	2,291,859	101.00	95.00	5,020	98.95	96.50	8,210

PRIOR SALES

The following table sets forth the date, number and prices at which the Fund issued Trust Units in the Fund’s last fiscal year:

<u>Month</u>	<u>Issuance Type</u>	<u>Total Units Issued</u>	<u>Price Per Unit</u>
October 2007.....	-	-	-
November 2007.....	Exercise of options	40,000	4.33
December 2007	-	-	-
January 2008	-	-	-
February 2008	Exercise of options	120,000	3.85
	Conversion of debentures	3,921	5.10
March 2008	Exercise of options	40,000	3.61
April 2008	Conversion of debentures	141,175	5.10
May 2008	-	-	-
June 2008	-	-	-
July 2008.....	-	-	-
August 2008	-	-	-
September 2008.....	-	-	-

ESCROWED SECURITIES

To the knowledge of the Fund, no Trust Units are held in escrow.

TRUSTEES, DIRECTORS AND OFFICERS

Trustees of the Fund

The names, municipalities of residence and principal occupation for the five preceding years of the Trustees are shown below. Messrs. Baker and Ross have served as Trustees since the inception of the Fund on September 15, 1997. Mr. Belkin has held office since March 7, 2002. Mr. Desbiens has held office since November 4, 2003 and Mr. Maslechko has held office since May 3, 2006. The Trustees are appointed each year at the annual meeting of Unitholders that is held yearly prior to April 8.

Trustee and Municipality of Residence**Principal Occupation**

Edward Y. Baker ⁽¹⁾⁽²⁾	Toronto, Ontario	Consultant
A. Stuart Belkin	Vancouver, British Columbia	Chairman and Chief Executive Officer Belcorp Industries Inc., an investment holding company
Michel P. Desbiens ⁽¹⁾⁽²⁾	Beaconsfield, Québec	Consultant
William Maslechko ⁽²⁾	Calgary, Alberta	Partner Burnett, Duckworth & Palmer LLP, a law firm
M. Dallas H. Ross ⁽¹⁾	Vancouver, British Columbia	Partner Kinetic Capital Limited Partnership, a private investor company

⁽¹⁾ Member of the Audit Committee of the Board of Trustees.

⁽²⁾ Member of the Nominating and Governance Committee of the Board of Trustees.

Each of the Trustees has held his principal occupation for the last five years.

The Fund has no executive committee.

Directors and Officers of Lantic

On July 4, 2003, the Fund filed a short-form prospectus for the secondary offering (the “Secondary Offering”) of 27,243,420 Trust Units held by certain affiliates of Onex and certain other related investors. Upon the closing of the Secondary Offering on July 14, 2003, Onex’s direct and indirect ownership of Trust Units dropped below 5% of the outstanding Trust Units on a fully-diluted basis. As a result, pursuant to certain agreements between Onex and Belkin Enterprises, Onex was obligated to sell all of the outstanding shares of Lantic Capital to Belkin Enterprises, or an affiliate of Belkin Enterprises, and Onex was required to cause each of its nominees to the board of directors of Lantic Capital to resign. Lantic Capital holds the two Class C Shares which entitles Lantic Capital to elect five of the seven directors of Lantic. Therefore, as a consequence of the change of control of Lantic Capital, Belkin Enterprises is indirectly entitled to nominate five of the seven directors for election to the board of directors of Lantic. On August 12, 2003, Belkin Enterprises nominated and Lantic Capital elected Michael Heskin, Donald Jewell and Tom Lindsay to the board of Lantic, in replacement of the Onex nominees to each board, each of whom resigned from the board of Lantic in 2003.

The board of Lantic consists of seven directors: Edward Makin, Stuart Belkin, Michael Heskin, Donald Jewell and Gary M. Collins, each of whom are nominees of Belkin Enterprises, and Michel P. Desbiens and M. Dallas H. Ross, each of whom are nominees of the Fund. The above mentioned directors will serve until the next annual meeting of Unitholders of the Fund or until their successors are duly elected or appointed.

The names, municipalities of residence and principal occupation for the five preceding years of the current directors and officers of Lantic are set forth below.

Directors and Officers and Municipality of Residence**Office Held****Principal Occupation**

A. Stuart Belkin ⁽²⁾	Director, 1997	Chairman & Chief Executive Officer, Belcorp Industries Inc., an investment holding company
Michel P. Desbiens ⁽¹⁾⁽²⁾	Director, 2006	Consultant
Jacques Dussault	Officer, 1997	Senior Vice-President of Human Resources, Lantic Inc.

Montréal, Québec

Douglas J. Emek	Officer, 1997	General Manager — Taber/Vancouver and Assistant Secretary, Lantic Inc.
Taber, Alberta		
Michael A. Heskin ⁽¹⁾⁽²⁾	Director, 2003	Vice-President of Finance and Chief Financial Officer, Belkorp Industries Inc., an investment holding company
Vancouver, British Columbia		
Donald G. Jewell ⁽²⁾	Director, 2003	Managing Partner, RIO Industrial, a financial management services company
Vancouver, British Columbia		
Daniel L. Lafrance	Officer, 1997	Senior Vice-President of Finance and Procurement, CFO and Secretary, Lantic Inc.
Montréal, Québec		
Gary M. Collins ⁽²⁾	Director, 2007	Senior Vice-President, Belkorp Industries Inc., an investment holding company
Vancouver, British Columbia		
Edward Makin.....	Director, 2005	President & Chief Executive Officer, Lantic Inc.
Verdun, Québec		
Mauro Ferrara	Officer, 2008	Director of Accounting Services and Corporate Comptroller, Lantic Inc.
Laval, Québec		
M. Dallas H. Ross ⁽¹⁾⁽²⁾	Director, 1997	Partner, Kinetic Capital Limited Partnership, a private investor company
Vancouver, British Columbia		

⁽¹⁾ Member of the Audit Committee of the Board of Directors of Lantic.

⁽²⁾ Member of the Lantic Compensation Committee.

Each of the foregoing persons has held the same principal occupation for the previous five years, except for Mr. Collins who, prior to April 2007, was President and Chief Executive Officer of Harmony Airways, an airline company, from December 2004 to December 2006 and prior to 2004, was Minister of Finance for the province of British Columbia, Mr. Mauro Ferrara who, prior to August 2008, was Corporate Comptroller of Sodisco-Howden from October 2003 to March 2005, Senior Director Financial Reporting & Treasurer of Emergis from April 2005 to November 2005, Corporate Comptroller of Adaltis from December 2005 to November 2006, and Comptroller of Lantic Sugar from December 2006 to July 2008, and Mr. Makin who, prior to October 2005, was Director-Senior Vice-President of C. Czarnikow Sugar Inc., a sugar trading company.

Unitholdings of Trustees

To the knowledge of the Fund, the Trustees of the Fund (with the exception of Mr. Belkin) together as a group, beneficially own, directly or indirectly, or exercise control or direction over 39,929 Trust Units, representing .04% of the outstanding Trust Units of the Fund and no Trustee of the Fund beneficially owns or controls voting securities of Lantic. Mr. Belkin beneficially owns or exercises control or direction over 10,392,798 Trust Units, representing 11.87% of the outstanding Trust Units of the Fund through his control of Belkin Enterprises Ltd. and its affiliates.

Audit Committee

The Fund has an audit committee (the “Audit Committee”) which is responsible to (i) oversee the integrity of the Fund’s financial statements and financial reporting process, including the audit process and the Fund’s internal accounting controls and procedures and compliance with related legal and regulatory requirements; (ii) oversee the qualifications and independence of the Fund’s external auditors who shall report directly to the Audit Committee; (iii) oversee the work of the Fund’s (and to the extent possible under the Administration Agreement, Lantic’s (as administrator, the “Administrator”)) financial management and external auditors in these areas; and (iv) provide an open avenue of communication between the external auditors, the Board of Directors, the Administrator and the Administrator’s financial management.

Composition and Education

As at September 30, 2008, the Audit Committee was composed of Edward Y. Baker, Michel P. Desbiens and M. Dallas H. Ross. The education and experience of each Audit Committee member that is relevant to the performance of such members' responsibilities as a member of the Audit Committee are set forth below:

- *Edward Y. Baker:* Mr. Baker is an Investment Consultant and the former Chief Investment Officer of the Hospitals of Ontario Pension Plan. In his capacity as Chief Investment Officer of one of Canada's largest pension plans, Mr. Baker has had considerable experience in analyzing and interpreting financial statements. Mr. Baker also has served as the Chief Financial Officer of the Ontario Hospital Association ("OHA") with oversight responsibilities for OHA's financial affairs, accounting and internal controls. Mr. Baker currently serves as the Chairman of The Greater China Fund, a closed-end management investment company that is listed on the New York Stock Exchange, and is a former Audit Committee member of that Company. Mr. Baker is a past President of the Toronto Society of Financial Analysts, is a CFA charterholder and is a member of The CFA Institute. Mr. Baker also holds a HBA (Honours Business Administration) degree from The Richard Ivey School of Business of the University of Western Ontario.
- *Michel P. Desbiens:* From October 2002 to March 2003, Mr. Desbiens was President and Chief Executive Officer of Quebecor World Inc. From 1994 to 2000, Mr. Desbiens was President and Chief Executive Officer of Donohue Inc., and was responsible for the supervision of the financing activities of Donohue Inc.'s operations. Mr. Desbiens sits on various boards.
- *M. Dallas H. Ross:* Mr. Ross is the Chairman of the Audit Committee for Lantic Inc. and for Rogers Sugar Income Fund.

Mr. Ross is the Founder and General Partner of Kinetic Capital Partners, a substantial private equity investment group formed in 2000. Prior to 2000, Mr. Ross was Managing Director of Investment Banking for ScotiaMcLeod in Vancouver and prior to that, Manager Director, Mergers and Acquisitions for ScotiaMcLeod in Toronto where he started in 1985. Prior to 1985, Mr. Ross was with Ernst & Whinney Chartered Accountants where he originally qualified as a Chartered Accountant before becoming active in consulting, insolvency and business valuation work.

Mr. Ross is active on the Board of approximately six (6) different organizations, one other of which is also publicly traded on the Toronto Stock Exchange and the balance which are private investee companies of Kinetic Capital Partners. He sits on numerous committees, including Audit Committees, of most of these organizations.

The Trustees of the Fund have determined that each member of the Audit Committee is independent and financially literate. Independent means free from any direct or indirect material relationship with the Fund or its subsidiaries which could, in the view of the Trustees of the Fund, reasonably interfere with the exercise of a member's independent judgment as more particularly described in Multilateral Instrument 52-110 — *Audit Committees*. Financially literate means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund's or its subsidiaries' financial statements, as more particularly described in Multilateral Instrument 52-110 — *Audit Committees*.

Audit Committee Charter

Set forth as Schedule A to this annual information form is the full text of the Charter of the Audit Committee of the Fund.

Pre-approval Policies and Procedures

The Audit Committee has established a policy which requires pre-approval of all audit and non-audit services provided to the Fund and its subsidiaries by the Fund's external auditors, KPMG LLP.

External Auditors Service Fees (By category)

The fees paid or payable by the Fund to KPMG LLP, the Fund's external auditors, for the periods noted below for audit and non-audit services were as follows:

	<u>Fiscal Year Ended</u> <u>September 30, 2008</u>	<u>Fiscal Year Ended</u> <u>September 30, 2007</u>
	(In thousands of dollars)	
KPMG LLP		
Audit Fees	\$ 305.5	\$ 377.3
Audit Related Fees ⁽¹⁾ ...	\$ 85.0	\$ 50.0
Tax Fees ⁽²⁾	\$ 42.7	\$ 47.0
All Other Fees ⁽³⁾	<u>\$ 28.5</u>	<u>\$ 27.0</u>
Total	<u>\$ 461.7</u>	<u>\$ 501.3</u>

⁽¹⁾ This item represents fees for services relating to the audit of pension plans.

⁽²⁾ This item represents fees for services for tax compliance, tax advice and tax planning.

⁽³⁾ This item represents fees for translation services.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set forth below, to the knowledge of the Fund, no Trustee of the Fund, or a person or company that is the direct or indirect owner of, or who exercises control or direction over, a sufficient number of Trust Units so as to materially affect the control of the Fund:

- (a) is, as at the date of this annual information form or has been, within the 10 years before the date of this annual information form, a director, Chief Executive Officer or Chief Financial Officer of any company, that while that person was acting in that capacity:
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) is, as at the date of this annual information form or has been within the 10 years before the date of this annual information form, a director or executive officer of any company, that while that person was working in that capacity, or within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has within the 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Stuart Belkin was a director of International Wallcovering Ltd. ("IWL") from October 1998 until January 8, 1999. IWL applied for protection from its creditors under the *Companies' Creditors Arrangement Act* (Canada) on January 11, 1999. KPMG LLP was appointed by the court as receiver manager on June 29, 1999. KPMG LLP caused IWL to make an assignment into bankruptcy on September 30, 1999.

To the knowledge of the Fund, no Trustee of the Fund (i) has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Fund, no Trustee of the Fund has an existing or potential material conflict of interest with the Fund or any of its subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Fund, except as may be described elsewhere in this annual information form, there are no material legal proceedings to which the Fund, Rogers or Lantic is a party or to which their property is subject, and no such proceedings are contemplated.

To the knowledge of the Fund, except as may be described elsewhere in this annual information form, there have been no material penalties or sanctions imposed by a court or regulatory body against the Fund or settlement agreements entered into by the Fund with a court or a securities regulatory authority relating to securities legislation during fiscal 2008.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Fund, no Trustee of the Fund or director or executive officer of Lantic, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the outstanding Trust Units and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is expected to materially affect the Fund or Lantic.

MATERIAL CONTRACTS

The following contracts were entered into other than in the ordinary course of business, are material to the Fund and/or Lantic, and were entered into in the most recent financial year or prior to the most recently completed financial year but on or after January 1, 2002 and remain in effect:

- The Declaration of Trust (described under the heading, “Rogers Sugar Income Fund”);
- The Administration Agreement and the Governance Agreement (described under the heading, “Rogers Sugar Income Fund — Administration — Governance Agreement”);
- The Indenture, the First Supplemental Indenture and the Second Supplemental Indenture (described under the heading, “Rogers Sugar Income Fund — Debt Instruments”);
- The Rogers Note Indenture (described under the heading, “Lantic Inc.. — Notes”);
- The Rogers Series A and Series B Note Indenture (described under the heading, “Lantic Inc. — Notes”);
- The Lantic Note Indenture (described under the heading, “Lantic Inc. — Notes”); and
- The Lantic Credit Agreement (described under the heading, “Lantic Inc. – Credit Facility”).

INTERESTS OF EXPERTS

KPMG LLP are the external auditors of the Fund who prepared the Auditors’ Report to the unitholders dated November 5, 2008, with respect to the consolidated financial statements of the Fund for the year ended September 30, 2008 consisting of consolidated balance sheets and consolidated statements of operations and comprehensive income, unitholders’ equity and cash flows for the year then ended. KPMG LLP is independent with respect to Rogers Sugar Income Fund within the meaning of the Code of Ethics of the Ordre des comptables agréés du Québec.

TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc. in Toronto, Ontario, Canada, is the transfer agent and registrar for the Trust Units.

DATE OF INFORMATION

Unless otherwise indicated, the information contained in this annual information form is given as of September 30, 2008. Moreover, the use of the present tense and of the words “current”, “currently”, “presently”, “now” and similar expressions in this

annual information form is to be construed as referring to information given as of September 30, 2008, unless the context otherwise requires or unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This annual information form may contain certain forward-looking statements, which reflect the current expectations of the Fund and Lantic 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 annual information form 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

When the securities of the Fund are in the course of a distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, copies of the following documents may be obtained upon request from the Corporate Secretary of Lantic at its administrative office at 4026 Notre-Dame Street East, Montréal, Québec H1W 2K3:

- (i) this annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this annual information form;
- (ii) the Fund’s comparative financial statements for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor and a copy of the most recent interim financial statements of the Fund that have been filed, if any, for any period after the end of its most recently completed financial year;
- (iii) the Fund’s information circular in respect of its most recent annual meeting of Unitholders that involved the appointment of Trustees; and
- (iv) any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus that is not required to be provided under paragraphs (i), (ii) or (iii).

At any other time, copies of any other documents referred to in paragraphs (i), (ii) and (iii) above may be obtained upon request from the Corporate Secretary of Lantic. A person who is not a security holder of the Fund may be required to pay a reasonable charge for such copies.

Additional information, including Trustees’, directors’ and officers’ remuneration and indebtedness, principal holders of the Fund’s securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Fund’s Information Circular for its most recent meeting of Unitholders that involved the election of Trustees.

Additional financial information is provided in the Fund’s financial statements and management’s discussion and analysis for its most recently completed financial year.

Additional information relating to the Fund can also be found on SEDAR’s website at www.sedar.com.

SCHEDULE “A”

ROGERS SUGAR INCOME FUND

AUDIT COMMITTEE CHARTER

The term “**Fund**” refers to Rogers Sugar Income Fund, the term “**Board**” refers to the board of trustees of the Fund and the term “**Administrator**” refers to Lantic Inc. in its capacity as administrator of the Fund pursuant to the **Administration Agreement**.

PURPOSE

The Audit Committee (the “**Committee**”) is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Fund’s financial reporting including responsibility to:

- oversee the integrity of the Fund’s financial statements and financial reporting process, including the audit process and the Fund’s internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Fund’s external auditors who shall report directly to the Committee;
- oversee the work of the Fund’s (and to the extent possible under the Administration Agreement, the Administrator’s) financial management and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, the Board, the Administrator and the Administrator’s financial management.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

1. Composition

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Fund, Lantic Inc. or any of their respective subsidiaries and each member of the Committee shall be a trustee who is an “**Independent Nominee**” (as defined in the **Fund Governance Agreement**) and shall be an “independent” trustee (in accordance with the definition of “independent” director from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Fund’s units are listed for trading); provided that the fact that a trustee is also a director of Lantic Inc. will not disqualify the trustee from being a member of the Committee provided that the trustee would otherwise be eligible to be a member of the Committee. The Chair of the Board shall be an *ex officio* member of the Committee.

2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a trustee. The Board may fill vacancies on the Committee by election from among its number. The Board shall fill any vacancy if the membership of the Committee is less than three trustees. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of unitholders after his or her election or until his or her successor shall be duly elected and qualified.

3. Financial literacy

All members of the Committee must be “financially literate” (as that term is interpreted by the Board in its business judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Fund’s units are listed for trading) or, if permitted by applicable securities laws or stock exchange rules, must become financially literate within a reasonable period of time after his or her appointment to the Committee.

4. Separate Executive Meetings

The Committee shall endeavour to meet at least once annually and more often as warranted, with the Chief Financial Officer of the Administrator and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

5. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Fund’s expense and may set and pay compensation for any advisors employed by the Committee.

6. Reliance

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Fund from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by the Administrator, Lantic Inc. or their respective senior managements and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Fund and its subsidiaries.

7. Review of Charter

The Committee shall periodically review and reassess the adequacy of this Charter in conjunction with the Nominating and Governance Committee as it deems appropriate and recommend changes to the Board. The Committee shall evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Fund.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee’s responsibilities that lawfully may be delegated.

9. Reporting to the Board

The Committee shall report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee shall:

I. In Respect of the Fund's External Auditors

- (a) review the performance of the external auditors of the Fund who shall report directly to the Committee and who are accountable to the Committee and the Board, as the representatives of the unitholders, including the lead partner of the independent auditor team and make recommendations to the Board as to the reappointment or appointment of the external auditors of the Fund to be proposed in the Fund's proxy circular for unitholder approval and shall have authority to terminate the external auditors;
- (b) review the reasons for any proposed change in the external auditors of the Fund which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendation to the Board;
- (c) approve the terms of engagement and the compensation to be paid by the Fund to the Fund's external auditors;
- (d) review the independence of the Fund's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (e) approve in advance all permitted non-audit services to be provided to the Fund or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection, provided that each pre-approval granted by such designated members of the Committee must be presented to the committee at its first scheduled meeting following each such pre-approval;
- (f) if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this subsection;
- (g) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Fund's external auditors;
- (h) approve any hiring by the Fund of partners, employees and former partners and employees of the Fund's present or former external auditors;
- (i) review a written or oral report describing:
 - (i) all critical accounting policies and practices to be used in the Fund's annual audit,
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Administrator that significantly effect the Fund's financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and
 - (iii) other material written communication between the Fund's external auditors and the Administrator, such as any management letter or schedule of unadjusted differences;
- (j) review with the external auditors and the Administrator the general audit approach and scope of proposed audits of the financial statements of the Fund, the objectives, staffing, locations, co-ordination and reliance upon the Administrator in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits; and
- (k) discuss with the external auditors any difficulties or disputes that arose with the Administrator or the internal auditors during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of the Administrator's responses in correcting audit-related deficiencies.

II. In Respect of the Fund's Financial Disclosure

(a) review with the external auditors and/or the Administrator, as appropriate:

(i) the Fund's audited financial statements and the notes and Managements' Discussion and Analysis relating to such financial statements, the annual report, the financial information of the Fund contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Fund and make recommendations to the Board for their approval;

(ii) the Fund's interim financial statements and the notes and Managements' Discussion and Analysis relating to such financial statements and recommend to the Board the release of the financial statements to the public;

(iii) the quality, appropriateness and acceptability of the Fund's accounting principles and practices used in its financial reporting, changes in the Fund's accounting principles or practices and the application of particular accounting principles and disclosure practices by the Administrator to new transactions or events;

(iv) all significant financial reporting issues and judgments made in connection with the preparation of the Fund's financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditors within generally accepted accounting principles on the financial statements and any "second opinions" sought by the Administrator from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;

(v) the effect of regulatory and accounting initiatives on the Fund's financial statements and other financial disclosures;

(vi) any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Fund;

(vii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Fund and their impact on the reported financial results of the Fund;

(viii) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Fund's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Fund's financial statements;

(ix) review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Fund's operations; and

(x) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles.

(b) review and resolve disagreements between the Administrator and the Fund's external auditors regarding financial reporting or the application of any accounting principles or practices;

(c) review earnings press releases and press releases containing financial information extracted from the financial statements of the Fund, as well as financial information and earnings guidance, if any, provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Fund gives earning guidance;

(d) review Fund disclosure containing "financial outlooks" or "future oriented financial information", each as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each such disclosure;

(e) establish and monitor procedures for (i) the review of public disclosure of financial information extracted from the financial statements of the Fund, and periodically assess the adequacy of these procedures, (ii) the receipt and treatment of complaints received by the Fund regarding accounting, internal accounting controls or audit matters, and (iii) the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the Administrator these procedures and any significant complaints received;

(f) if requested by the Board, receive from the Chief Executive Officer and the Chief Financial Officer of the Administrator a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws and receive and review disclosures made by such officers about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving the Administrator or its senior officers or persons who have a significant role in the Fund's internal controls; and

(g) review and discuss the Fund's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

III. In Respect of Insurance

(h) review periodically insurance programs relating to the Fund and its investments.

IV. In Respect of Internal Controls

(a) review the adequacy and effectiveness of the Fund's internal accounting and financial controls based on recommendations from the Administrator and the external auditors for the improvement of accounting practices and internal controls; and

(b) oversee compliance with internal controls and the Code of Business Conduct.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Fund's financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of the Administrator and its senior management and the Fund's external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Fund, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Fund's financial information or public disclosure.

ROGERS SUGAR INCOME FUND

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