

*ROGERS SUGAR INC.*

**ANNUAL INFORMATION FORM**

**For the year ended October 1, 2016**

**November 23, 2016**

# *Rogers Sugar Inc.*

## ANNUAL INFORMATION FORM

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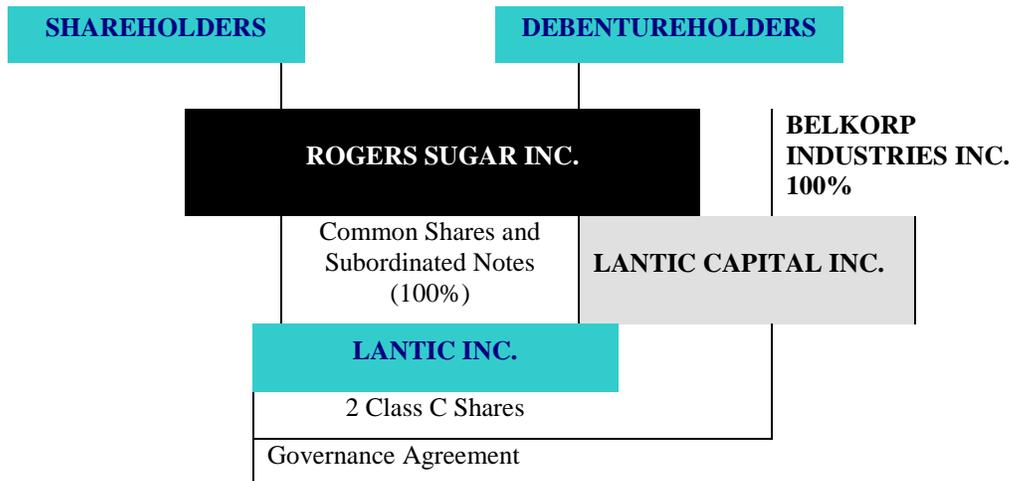
## ROGERS SUGAR INC.

The principal and head office of Rogers Sugar Inc. (the “Corporation” or “Rogers”), is located at 123 Rogers Street, Vancouver, British Columbia V6B 3N2. The administrative offices of the Corporation are located at 4026 Notre-Dame Street East, Montréal, Québec H1W 2K3. The principal activities of Rogers are to hold all of the common shares of Lantic (the Lantic common shares, together with any other equity securities held by or on behalf of the Corporation, 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 Corporation, from time to time, the “Notes”). To the maximum extent possible, Rogers pays to holders (“Shareholders”) of Rogers’ common shares (the “Shares”) by way of dividends amounts representing the amounts received by Rogers 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 Corporation (see “Rogers Sugar Inc. — Debt Instruments”) and any cash redemptions of common shares or convertible debentures, amounts paid or required by the Corporation to purchase Shares (or other securities of Rogers which may be issued and outstanding from time to time), income taxes and amounts required for the operations of the Corporation.

On January 1, 2011, Rogers completed its conversion from an income trust to a corporation pursuant to a Plan of Arrangement (the “Arrangement”) under section 192 of the *Canada Business Corporations Act* (the “CBCA”). Rogers is governed by the CBCA. Pursuant to the Arrangement, unitholders (the “Unitholders”) of Rogers Sugar Income Fund (the “Fund”) exchanged each trust unit of the Fund for a Share on a one-for-one basis.

### Corporate Structure

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



For a detailed discussion of these structural and contractual relations, see “Rogers Sugar Inc. — Administration”.

### Administration

#### *Administration Agreement*

Pursuant to the Arrangement, the existing administration agreement (the “Administration Agreement”) was terminated and replaced by a new Administration Agreement dated January 1, 2011. The new Administration Agreement was on the same terms and conditions whereby Lantic acts as administrator of the Corporation. The administrator provides or arranges for the provision of services required in the administration of the Corporation. 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 Shares, arranging for distributions to Shareholders, and providing reports to Shareholders. 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, the insolvency or receivership of Lantic or default by Lantic in the performance of any material obligation which is not remedied within 30 days.

### ***Governance Agreements***

Under the terms of the Fund governance agreement (the "Fund Governance Agreement") dated March 8, 2002 between the Fund, Onex Corporation and Belkin Enterprises Ltd., the Fund was required to nominate for election as trustees at each annual meeting of the Fund one nominee of Onex Corporation and one nominee of Belkin Enterprises Ltd., provided that they each beneficially own or exercise control or direction over at least five percent (5%) of the outstanding Units of the Fund, directly or indirectly. As a consequence of the closing of a secondary offering of Units as at July 4, 2003, Onex Corporation's direct and indirect ownership of Units dropped below five percent (5%) of the outstanding Units on a fully-diluted basis. As a result, the Fund is no longer obligated to nominate for election as a trustee at each annual meeting of the Fund one nominee of Onex Corporation. However, Belkin Enterprises Ltd. continues to hold greater than five percent (5%) of the outstanding Units on a fully-diluted basis and, therefore, the Fund continued to be obligated to nominate for appointment as a trustee at each annual meeting of the Fund one nominee of Belkin Enterprises Ltd. Following completion of the Arrangement and the subsequent termination of the Fund, the Fund Governance Agreement remained in full force and effect with the necessary adaptations, as applicable. Belkin Enterprises Ltd. thus continues to have the right to nominate one director of the Corporation for election at the meeting of the Corporation's Shareholders.

The Fund, Lantic and Lantic Capital entered into a corporate governance agreement (the "Governance Agreement") on June 30, 2008. Following completion of the Arrangement and the subsequent termination of the Fund, the Governance Agreement remained in full force and effect, with the necessary adaptations. Lantic Capital, as holder of two Class C shares of Lantic, is entitled to elect (5) five of (7) seven Directors of the board of Directors of Lantic. The Corporation has the right to terminate Lantic Capital's right to elect a majority of the Directors of Lantic if a take-over bid is made for all of the issued and outstanding Shares and, on completion thereof, the offeror thereunder holds more than sixty percent (60%) of the issued and outstanding Shares. The Governance Agreement also 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 five percent (5%) of the outstanding Shares (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 Corporation thereunder relating to certain restrictions on the ability of the Corporation to make changes to the articles of Lantic and the election of Lantic Capital's nominees to the board of Directors of Lantic expire or terminate. The Governance Agreement provides that the Corporation 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 also provides that, in the event that a *bona fide* take-over bid has been made for all of the issued and outstanding Shares and the board of Directors of the Corporation has publicly recommended that holders of Shares accept such take-over bid, the boards of Directors of Lantic, Lantic Capital and the Corporation will consent to a reorganization of the Corporation and Lantic in the manner determined by the Corporation, including an amalgamation of the Corporation and Lantic, provided that (i) such reorganization has been approved, if required by law, by the requisite number of Shareholders of the Corporation; (ii) such reorganization is necessary and advisable, in the sole discretion of the board of Directors of the Corporation, in order to avoid adverse tax consequences for the Corporation or its Shareholders; and (iii) such reorganization is effected in a manner in which it is certain that, immediately after the reorganization is effective, the offeror under the take-over bid will acquire more than 60% of the issued and outstanding Shares and any support agreement relating to the take-over bid contains a covenant to complete the reorganization and take-over bid in such a manner. Such reorganization will be made effective immediately prior to the taking-up and payment of Shares by the offeror under the take-over bid described above.

### **Capital Structure**

The authorized capital of the Corporation consists of: (i) an unlimited number of Shares; and (ii) a number of preferred shares issuable in series, at all times limited to fifty percent (50%) of the Shares outstanding at the relevant time, provided that no such preferred shares shall be used to block any takeover. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of the Corporation which comprise the share capital of the Corporation, and its convertible debt instruments.

## **Shares**

Holder of Shares will be entitled to one vote per Share at meetings of Shareholders of the Corporation, to receive dividends if, as and when declared by the board of Directors of the Corporation and to receive *pro rata* the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to the rights of any other class of shares having priority over the Shares.

As of the date hereof, 93,850,160 Shares are issued and outstanding. The Shares, the Fourth Series Debentures and the Fifth Series Debentures (as both terms are defined below) trade on the Toronto Stock Exchange (“TSX”) under the symbol “RSI”, “RSI.DB.C” and “RSI.DB.D”, respectively.

## **Preferred Shares**

Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the board of Directors of the Corporation prior to the issuance thereof. Holders of preferred shares, except as required by law, will not be entitled to vote at meetings of Shareholders of the Corporation. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the preferred shares are entitled to preference over the Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over the Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

The number of issuable preferred shares shall at all times be limited to fifty percent (50%) of the Shares of the Corporation outstanding at the relevant time. No such preferred shares shall be used to block any takeover.

As of the date hereof, no preferred shares of the Corporation are issued and outstanding.

## **Debt Instruments**

On March 31, 2010, the Fund filed a short form prospectus for the issue of \$50,000,000 principal amount of Fourth Series 5.7% Convertible Unsecured Subordinated Debentures of the Fund (the “Fourth Series Debentures”). The Fourth Series Debentures were issued pursuant to a third supplemental indenture dated April 8, 2010 between the Fund and Computershare Trust Company of Canada (the “Third Supplemental Indenture”) supplementing the Indenture. The Fourth Series Debentures mature on April 30, 2017 and bear interest at an annual rate of 5.7% payable semi-annually on April 30 and October 31 in each year, commencing on October 31, 2010 and were also assumed by the Corporation in connection with the Arrangement.

The Fourth Series Debentures are convertible into fully paid and non-assessable Shares at the option of the holder at any time prior to the close of business on the earlier of April 30, 2017 and the business day immediately preceding the date specified by the Corporation for redemption of the Fourth Series Debentures, at a conversion price of \$6.50 per Share. The Fourth Series Debentures were not redeemable by the Corporation prior to April 30, 2013. On or after April 30, 2013, and prior to April 30, 2015, the Fourth Series Debentures were redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the Shares 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 April 30, 2015, the Fourth Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On December 16, 2011, Rogers filed a short form prospectus for the issue of \$60,000,000 principal amount of Fifth Series 5.75% Convertible Unsecured Subordinated Debentures of Rogers (the “Fifth Series Debentures”). The Fifth Series Debentures were issued pursuant to a sixth supplemental indenture dated December 16, 2011 between the Corporation and Computershare Trust Company of Canada (the “Sixth Supplemental Indenture”) supplementing the Indenture. The Fifth Series Debentures mature on December 31, 2018 and bear interest at an annual rate of 5.75% payable semi-annually on June 30 and December 31 in each year, commencing on June 29, 2012.

The Fifth Series Debentures are convertible into fully paid and non-assessable Shares at the option of the holder at any time prior to the close of business on the earlier of December 31, 2018 and the business day immediately preceding the date specified by the Corporation for redemption of the Fifth Series Debentures, at a conversion price of \$7.20 per Share. The Fifth Series Debentures were not redeemable by the Corporation prior to December 31, 2014. On or after December 31, 2014, and prior to December 31, 2016, the

Fifth 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 Shares 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 December 31, 2016, the Fifth Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

The payment of the principal of, and interest on, the Fourth Series Debentures and Fifth Series Debentures (collectively, the “Debentures”) will be senior to the payment of any dividends on the Shares, but subordinated to the prior payment of any indebtedness of the Corporation.

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

Upon the occurrence of a change of control of the Corporation involving the acquisition of voting control or direction over 66 2/3% or more of the outstanding Shares and the termination of the Governance Agreement, holders of the Debentures may require the Corporation 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 Corporation 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 Sugar Ltd (“RSL”) and Lantic Sugar (the “Amalgamation”). As at June 30, 2008, Lantic possessed all of the property, rights and assets of RSL 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 Rogers. For a detailed discussion of the administrative relationship between the Rogers and Lantic, see “Rogers Sugar Inc. — Administration”.

### **Share Capital**

The share capital of Lantic consists of 2,000 issued and outstanding Common Shares all owned by Rogers, 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. Rogers, 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 Belkorp and Rogers, Rogers is entitled to vote the Lantic Class B 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 do not confer any 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”) and \$48,500,000 unsecured subordinated Series C notes (the “Lantic Series C Notes” and, collectively with the Lantic Series A, the “Lantic Notes”) were issued on March 8, 2002, in the case of the Lantic Series A 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. Rogers 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 Rogers 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 C Notes, with all such notes having a minimum rate of 6% per annum.

From time to time, the board of Directors of Lantic and, if Rogers holds, directly or indirectly, at least 25% of the aggregate principal amount of the Lantic Notes, the board of Directors of Rogers, 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 Rogers, 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 last review of Lantic was performed as at September 27, 2014 and on November 18, 2014, the boards of Directors of Lantic and Rogers concluded that Lantic could refinance the Lantic Notes on the same terms and conditions upon maturity. As a result, the maturity date of the Lantic Notes will remain October 15, 2027.

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.

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 and Series C Notes when the same becomes due;
- (ii) the failure to pay interest obligations of the Lantic Series A 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 *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”);

- (v) the taking of possession by an encumbrance 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 "RSL Note Indenture") dated October 8, 1997 and amended and restated as of February 8, 2001 and January 1, 2004, between RSL and Montréal Trust Company of Canada (now Computershare Investor Services Inc.), as note trustee, RSL was authorized to issue an unlimited amount of notes (the "RSL Notes") which will mature on October 15, 2027, subject to prepayment from time to time, as considered advisable by the board of Directors of RSL 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 RSL under the RSL Note Indenture. Rogers is the holder of \$278,260,870 principal amount of RSL Notes, being all of the issued and outstanding RSL Notes.

The RSL Notes bear interest at a variable rate determined by Lantic and Rogers 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 RSL 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 RSL 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 RSL 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 RSL 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 "Lantic Inc. — Credit Facility"), are inadequate to pay the interest on the RSL Notes.

In order to avoid substantial variations in distributions to Rogers under the method of calculation of the rate of interest on the RSL Notes, the Directors of Rogers have the authority to declare and pay in any quarter and on such other date as they may determine from time to time, all or part of the interest paid on the RSL Notes in that quarter and for such other period as the Directors of Rogers may determine from time to time.

From time to time, the board of Directors of Lantic and, so long as Rogers holds at least 25% of the aggregate principal amount of the RSL Notes outstanding, the board of Directors of Rogers, 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 RSL 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 Rogers, it is unlikely that Lantic could refinance the RSL Notes on the same terms and conditions upon maturity, then Lantic shall commence principal repayments of the RSL Notes. The last review of Lantic was performed as at September 27, 2014 and on November 18, 2014, the boards of Directors of Lantic and Rogers concluded that Lantic could refinance the RSL Notes on the same terms and conditions upon maturity. As a result, the maturity date of the RSL Notes will remain October 15, 2027.

The RSL 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.

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

- (a) default in payment of the principal of the RSL Notes when the same becomes due;

- (b) the failure to pay interest obligations of the RSL 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 CCAA;
- (e) the taking of possession by an encumbrance 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 Lantic may be forfeited or terminated; or
- (h) default in the observance or performance of any other material covenant or condition of the RSL 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 RSL Note Indenture to Lantic 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 RSL and Computershare Trust Company of Canada (now known as Computershare Investor Services Inc.), as note trustee (the “RSL Series A and Series B Note Indenture”), RSL was authorized to issue \$7.5 million aggregate principal amount of unsecured, subordinated Series A notes of RSL and \$25 million aggregate principal amount of unsecured, subordinated Series B Notes of RSL (collectively, the “RSL 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 RSL under the RSL Note Indenture. The RSL 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. Rogers is the holder of all of the issued and outstanding RSL Series A and Series B Notes.

The RSL Series A and Series B Notes bear interest at a variable rate determined by RSL and Rogers 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 RSL 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 RSL Notes by way of monthly installments of the quarterly interest payment under such notes not yet due.

From time to time, the board of Directors of Lantic and, if Rogers holds, directly or indirectly, at least 25% of the aggregate principal amount of the RSL Series A and B Notes, the board of Directors of Rogers, 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 the determining whether it is likely that the indebtedness of Lantic evidenced by the RSL 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 Rogers, it is unlikely that Lantic could refinance the RSL 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 last review of Lantic was performed as at September 27, 2014 and on November 18, 2014, the boards of Directors of Lantic and Rogers concluded that Lantic could refinance the RSL Series A and Series B Notes on the same terms and conditions upon maturity. As a result, the maturity date of the RSL Series A and Series B Notes will remain October 15, 2027.

The RSL 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 RSL Notes referred to above.

The RSL 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 RSL Series A and Series B Note Indenture):

- (a) default in payment of the principal of the RSL Series A and Series B Notes when the same becomes due;
- (b) the failure to pay interest obligations of the RSL 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 encumbrance 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 RSL 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 RSL Series A and Series B Note Indenture to Lantic specifying such default and requiring Lantic to rectify the same.

### **Credit Facility**

On June 29, 2013, Lantic 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 \$150,000,000. This Revolving Facility matures on June 28, 2018. For the third year in a row, Lantic exercised its option to extend the Revolving Facility with the same terms and conditions of the credit agreement entered into on June 28, 2013. The maturity date of the Revolving Facility was therefore extended to expire on June 28, 2021. As at October 1, 2016, an amount of \$60,000,000 had been drawn from the Revolving Facility.

In addition, in order to protect itself against fluctuations in interest rates, Lantic enters into Interest Rate Swap Agreements (the "Swap Agreement" or together referred to as the "Swap Agreements"). With an effective start date of June 28, 2018, Lantic entered into a two year Swap Agreement for a value of \$30,000,000. The Swap Agreement was entered into with a Canadian chartered bank, at a rate of 1.959%. In addition, effective June 30, 2014, Lantic entered into a Swap Agreement for a value of \$10,000,000. The Swap Agreement was entered into with a Canadian chartered bank, at a rate of 2.09%. The Swap Agreement terminates on June 28, 2019. In addition, effective June 28, 2013, Lantic entered into a Swap Agreement for a value of \$50,000,000, decreasing to \$40,000,000 on June 29, 2015 and to \$30,000,000 on June 28, 2016. The Swap Agreement was entered into with a syndicate of three Canadian chartered banks, at a rate of 2.09%. The Swap Agreement terminates June 28, 2018.

## **REVIEW OF OPERATIONS AND BUSINESS**

### **The Corporation**

The assets of the Corporation consist of the Common Shares as well as the Notes. To the maximum extent possible, the Corporation pays a quarterly dividend to Shareholders from amounts received by the Corporation 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 Corporation (see "Rogers Sugar Inc. — Debt Instruments"), income taxes and any cash redemptions of Shares, amounts paid or required by the Corporation to purchase Shares (or other securities of the Corporation which may be issued and outstanding from time to time) and amounts required for the operations of the Corporation. Prior to the conversion to a corporation on January 1, 2011, the Fund was paying monthly distributions to Unitholders on or about the 29<sup>th</sup> day of the following month to the Unitholders of record as

of the last day of the month for which such distributions are declared. Since January 1, 2011, Rogers has declared quarterly dividends for Shareholders of record as at the end of each calendar quarter, on or about the 20<sup>th</sup> day following the end of the calendar quarter.

Quarterly dividends per Shares declared by Rogers were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
October.....	\$ -	\$ -	\$ -
November.....	\$ -	\$ -	\$ -
December .....	\$ 0.0900	\$ 0.0900	\$ 0.0900
January .....	\$ -	\$ -	\$ -
February .....	\$ -	\$ -	\$ -
March.....	\$ 0.0900	\$ 0.0900	\$ 0.0900
April.....	\$ -	\$ -	\$ -
May.....	\$ -	\$ -	\$ -
June.....	\$ 0.0900	\$ 0.0900	\$ 0.0900
July.....	\$ -	\$ -	\$ -
August.....	\$ -	\$ -	\$ -
September .....	\$ 0.0900	\$ 0.0900	\$ 0.0900

## The Sugar Industry

Per capita consumption of refined sugar in Canada, being at approximately 30 kilograms per year, has been fairly stable over the last five years. Growth in total consumption is primarily linked to population increases.

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, except if some sugar premiums are charged over the #11 raw sugar market, as a result of tightness in the marketplace. 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”) under the current contract is fixed plus a scale incentive if the price of world raw sugar increases over a pre-determined level, 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 and/or relatively low price of corn 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 approximately 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 Montréal, Québec 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***

Lantic's fiscal year ends on the Saturday closest to the end of September. It should be noted that fiscal 2015 had 53 weeks of operations, compared to 52 weeks in fiscal 2016 and 2014.

In fiscal 2016, Lantic's total sugar deliveries improved compared to the prior year and ended at approximately 16,400 metric tonnes higher than in fiscal 2015, despite the fact that last year included an additional shipping week. Eliminating the impact of the fifty-third week of fiscal 2015, total volume would have been approximately 29,400 metric tonnes higher than the previous year. Furthermore, all segments ended the year with positive growth, when adjusted for the additional week in fiscal 2015, with the industrial segment being the clear leader in volume improvement.

The industrial segment increased by approximately 10,600 metric tonnes or approximately 19,300 metric tonnes when the fifty-third shipping week of fiscal 2015 is removed, mostly due to strong demand from existing customers. The volume growth was experienced throughout the year but more significantly in the last nine months of the year.

Total consumer volume was slightly higher than last year by approximately 1,300 metric tonnes and approximately 3,100 metric tonnes when the additional shipping week is excluded. The increase is mainly explained by additional demand from existing customers due to an increase in promotional activities.

When compared to last fiscal year, the liquid segment ended approximately 400 metric tonnes lower than fiscal 2015. However, when removing the impact of the fifty-third week from fiscal 2015, the liquid segment was higher by approximately 1,700 metric tonnes due to continued strong demand from existing customers, which started in the second half of last year, and due to timing in deliveries.

The export segment was approximately 4,900 metric tonnes higher than last year or approximately 5,300 metric tonnes higher than fiscal 2015, without the fifty-third shipping week last year. The increase is mostly explained by opportunistic sales due to favourable export conditions and an increase in sales to Mexico.

Adjusted gross margin for fiscal 2016 improved significantly when compared to last year and amounted to \$96.2 million, an increase of \$10.3 million versus fiscal 2015. Adjusted gross margin for the current year includes a non-cash pension charge of \$1.8 million for committed future pension plan upgrades to one of Lantic's defined benefit pension plans following the agreement with the Montréal unionized employees. Without this adjustment, Lantic's adjusted gross margin would have been \$12.1 million higher than last year. The favourable variance in adjusted gross margin is mostly due to higher sales volume, higher by-product revenues, lower beet costs and better operating costs in its three operating facilities. It should be noted that the Taber beet factory incurred additional operating costs in fiscal 2015 as a result of severe beet deterioration at the end of the slicing campaign from its 2014 crop. Furthermore, a weaker Canadian dollar was also beneficial to Lantic on export sales contracted in fiscal 2016. However, Lantic experienced a six-day work stoppage in June 2016 at the Montréal refinery, which added approximately \$0.8 million in additional costs and slightly reduced the year-over-year positive variance.

Administration and selling expenses were \$2.8 million lower than in fiscal 2015. In fiscal 2014, the only remaining salaried defined benefit pension plan ("Salaried Plan") was terminated, for which years of service had been frozen since 2008. In fiscal 2016, Lantic completed the termination of the Salaried Plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of \$1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 3, 2015. In fiscal 2015, a non-cash expense of \$0.8 million was recorded, resulting in a year-over-year positive variation of \$2.0 million. Excluding the impact of the settlement of the Salaried Plan, administration and selling expenses were \$0.8 million lower than the comparable period last year. The reduction in administrative and selling expenses is explained by lower consulting fees and allowance for doubtful accounts. However, somewhat offsetting the positive variation are additional administrative and selling expenses incurred as a result of the Montréal refinery work stoppage as well as higher employee benefits.

Distribution expenses for the year were approximately \$0.6 million higher than last year due to additional transfer costs between Lantic's various locations as a result of an increase in sales volume and as a contingency plan for the Montréal refinery work stoppage.

During fiscal 2016, Lantic exercised its option to extend the Revolving Facility with the same terms and conditions of the credit agreement entered into on June 28, 2013. The maturity date of the Revolving Facility was therefore extended to expire on June 28, 2021.

Compared to fiscal 2014, Lantic's total sugar deliveries for fiscal 2015 were higher by approximately 12,400 metric tonnes. Eliminating the impact of the fifty-third week of fiscal 2015, total volume would have been comparable to the previous year. The industrial segment increased by approximately 8,100 metric tonnes, mostly due to the additional week of shipments in fiscal 2015, as compared to fiscal 2014. Total consumer volume was lower than last year by approximately 3,600 metric tonnes. The decrease year-over-year is mostly attributable to the timing of agreements with major accounts. The decrease was somewhat offset by the additional week of deliveries in fiscal 2015. The liquid segment increased by approximately 1,500 metric tonnes. The second half of fiscal 2015 resulted in solid liquid demand, which almost totally offset the loss of volume in the first half of the year as a result of the completion of a one-year contract with a HFCS substitutable account in Western Canada which ended in March 2014. On balance, Lantic enjoyed strong growth with its core customers which, when compared to fiscal 2014, without the additional week in fiscal 2015, resulted in liquid volume slightly lower than the comparable period in fiscal 2014. The export segment was higher by approximately 6,400 metric tonnes when compared to fiscal 2014. The increase is due to a combination of additional volume to Mexico as well as U.S. export sales at high tier duties.

Adjusted gross margin was \$85.9 million, \$3.9 million higher in fiscal 2015 than in fiscal 2014. The favourable variance in adjusted gross margin versus last year is mainly explained by a reduction in labour and energy costs. Following the 2014 workforce reduction at the Montréal refinery, Lantic was able to reduce its labour costs by approximately \$4.5 million. In addition, Lantic benefitted from energy cost savings of approximately \$2.6 million as a result of a decline in natural gas prices as well as the conversion from an interruptible gas contract in fiscal 2014 to a firm gas contract in fiscal 2015 at the Montréal refinery. Somewhat offsetting the above positive variances was an increase in operating costs at the Taber beet factory as a result of severe beet deterioration at the end of the slicing campaign as well as operating inefficiencies at the Montréal refinery in the last quarter of the current year, following a refining equipment breakdown. Finally, in the fourth quarter of fiscal 2014, Lantic recorded a \$1.9 million one-time profit triggered by the receipt of a raw sugar vessel in advance of its needs, in order to capitalize from favourable spreads in the #11 world raw sugar futures. This profit did not re-occur in fiscal 2015 and therefore reduced the above positive variances.

Administration and selling expenses were \$1.9 million lower than in fiscal 2014. In fiscal 2014, Lantic incurred \$2.8 million in consulting fees and severance costs following the process improvement review of the Montréal refinery. As a direct result of the decision to terminate the Salaried Plan, Lantic recorded a non-cash expense of \$0.8 million in fiscal 2015 compared to an expense of \$2.2 million in fiscal 2014, a reduction of \$1.4 million. The termination of the Salaried Plan occurred as at December 31, 2014 and, as mentioned above, Lantic completed such termination in fiscal 2016. These above reductions in administrative and selling expenses were somewhat offset by an increase in consulting fees, marketing expenses, allowance for doubtful accounts and employee benefit costs.

Distribution expenses for fiscal 2015 were approximately \$0.6 million higher than fiscal 2014 due to incremental transfer costs between Lantic's various locations as a result of low inventory levels at the Taber factory at the end of fiscal 2015 and production inefficiencies at the Montréal refinery, compounded by strong sales demand in the last quarter of fiscal 2015.

In fiscal 2015, Lantic exercised its option to extend the Revolving Facility with the same terms and conditions of the credit agreement entered into on June 28, 2013. At such time, the maturity date of the Revolving Facility was therefore extended to expire on June 29, 2020.

With an effective start date of June 28, 2018, Lantic entered into a Swap Agreement for a value of \$30,000,000. The Swap Agreement was entered into with a Canadian chartered bank, at a rate of 1.959%. The Swap Agreement terminates on June 29, 2020.

A new four-year agreement was signed with the Growers in fiscal 2015. This new agreement aligns the long-term goals of Lantic and the Growers, which should provide stability in planted acres in the future.

In fiscal 2014, total sales volume of 646,376 metric tonnes decreased by approximately 2,900 metric tonnes or 0.4% over the previous year. The industrial segment increased by approximately 5,400 metric tonnes due to volume gained from new and existing customers. Total consumer volume was higher than fiscal 2013 by approximately 2,900 metric tonnes. Lantic entered into a new multi-year national agreement with a major consumer account that took effect in January 2014. The volume gained from this new

multi-year agreement was somewhat offset by the fact that Lantic did not re-sign another important Eastern consumer account starting in the second half of fiscal 2014. The increases in industrial and consumer segments were more than offset by a reduction in export volume of approximately 9,500 metric tonnes. In fiscal 2014, the Mexican market had surplus inventories and as a result, export volume to Mexico was minimal, compared to 15,000 metric tonnes the prior fiscal year. The loss of the Mexican volume was somewhat mitigated by approximately 5,600 metric tonnes entered against the U.S. global quota that opened and closed on October 1, 2013. Finally, the liquid segment decreased by approximately 1,700 metric tonnes compared to fiscal 2013 due to timing in deliveries of certain accounts.

Adjusted gross margin of \$81.9 million was \$0.2 million lower than fiscal 2013 but includes several offsetting items. In fiscal 2014, Lantic recorded a \$1.9 million one-time profit triggered by the receipt of a raw sugar vessel in advance, when compared to its needs, in order to capitalize from favourable spreads in the #11 world raw sugar futures. In addition, the adjusted gross margin of fiscal 2013 included a \$1.9 million charge for committed future pension benefit updates. This positive variance was offset by higher energy costs in Montréal of \$1.4 million compared to fiscal 2013 due to the purchase of expensive auxiliary natural gas and oil when natural gas supply was interrupted, as per the delivery terms of the natural gas provider. Lower by-product revenues of approximately \$1.3 million also contributed to the decrease in adjusted gross margin as a result of lower beet acreage harvested in fiscal 2014 when compared to fiscal 2013. Finally, the unfavourable sales mix had an impact on adjusted gross margin with an increase in industrial volume and a decrease in higher margin rate export sales.

Administration and selling expenses were \$6.1 million higher in fiscal 2014 than in fiscal 2013. Lantic hired a process improvement consulting firm to review the Montréal refinery cost structure and its manufacturing process. Following the analysis and a thorough review of the Montréal operations with its production team, Lantic announced in September 2014 a reduction in the hourly workforce of 59 employees through a combination of layoffs, early retirements and voluntary departures. As a direct result of this analysis, Lantic incurred \$2.8 million for consulting fees and severance costs. Furthermore, during fiscal 2014, Lantic announced its decision to terminate the Salaried Plan, for which years of service had been frozen since 2008. Consequently, a non-cash expense of \$2.2 million was recorded in fiscal 2014. Lastly, in addition to the above-mentioned reasons, administration and selling expenses were higher than the previous year due to higher legal costs and marketing expenses associated with the launch of new products.

In fiscal 2014, Lantic exercised its option to extend the Revolving Facility with the same terms and conditions of the credit agreement entered into on June 28, 2013. At such time, the maturity date of the Revolving Facility was therefore extended to expire on June 28, 2019.

Effective June 30, 2014, Lantic entered into a Swap Agreement for a value of \$10,000,000. The Swap Agreement was entered into with a Canadian chartered bank, at a rate of 2.09%. The Swap Agreement terminates on June 28, 2019.

## ***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 Lantic's 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 New York 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. 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, 2016 1,000 metric tonnes for delivery in January 2017 against the March 2017 terminal. The price as at October 1 is US\$20.00 cents per pound, or US\$440.92 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 2016 to June 2017, for delivery of 1,000 metric tonnes of sugar per month, for a total of 12,000 metric tonnes. In August 2016, customer “A” decides to firm the price of the sugar to be delivered in January 2017 (against the March terminal). That day in August, the price of sugar for March 2016 terminal is US\$19.00 cents per pound or US\$418.87 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 2017, which had been priced at US\$19.00 cents per pound or US\$418.87 per metric tonne. Lantic had also purchased 1,000 metric tonnes of sugar, which had been priced at US\$20.00 cents per pound or US\$440.92 per metric tonne. Both of these transactions were hedged against the March 2017 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 US\$19.00 cents per pound (before refining margin), which it had bought from the seller at US\$20.00 cents per pound. On the physical transaction, Lantic would incur a loss of US\$1.00 cents per pound or US\$22.05 per metric tonne for 1,000 tonnes, for a total loss of US\$22,050.00.

On the futures side (paper transaction), Lantic will liquidate all of its position prior to March 1, 2017. For the above transactions, Lantic sold a future position of 1,000 metric tonnes for US\$20.00 cents per pound and bought a future position of 1,000 metric tonnes for US\$19.00 cents per pound. On the liquidation date, the March terminal trades at US\$24.00 cents per pound. Therefore Lantic will buy back the US\$20.00 cents (original sell position) for US\$24.00 cents, losing US\$4.00 cents per pound. On the other hand, Lantic will sell the original buy position of US\$19.00 cents for US\$24.00 cents, making US\$5.00 cents per pound on this transaction. In total, Lantic will make US\$1.00 cents per pound or US\$22.05 per metric tonne for a total, on 1,000 metric tonnes, of US\$22,050.00 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*

Lantic purchases sugar beets from the Growers under a fixed price formula plus a scale incentive if the price of world raw sugar increases over a pre-determined amount. 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.

Lantic’s Board of Directors has authorized management to hedge forward up to 70% 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.

Lantic has a small volume under the pre-hedge program for fiscal 2017.

#### *Natural Gas*

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 between 2.8 million gigajoules and 3.5 million gigajoules of natural gas per year to be used in its refining operations. To protect itself against large and unforeseen fluctuations, Lantic can hedge forward up to 90% of its estimated usage over the next 12 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.

In August 2015, the Montréal refinery received confirmation from its natural gas provider that a long-term firm gas contract has been accepted by the *Régie de l’énergie du Québec* and will expire in November 2019. This will eliminate incremental energy costs relating to service interruptions as a result of cold winter conditions.

#### *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 typically price in advance large quantities of sugar in order to benefit from these higher prices. On the other hand, Lantic’s customers will typically 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 versus 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 June 28, 2013, Lantic entered into a five year Swap Agreement for an amount of \$50,000,000, decreasing to \$40,000,000 on June 29, 2015 and to \$30,000,000 on June 28, 2016 with a syndicate of three Canadian chartered banks. In addition, effective June 30, 2014, Lantic entered into a Swap Agreement for a value of \$10,000,000 with a Canadian chartered bank, at a rate of 2.09% and terminates on June 28, 2019. Finally, in fiscal 2015, Lantic entered into a Swap Agreement for a value of \$30,000,000 with a Canadian chartered bank. The new Swap Agreement is set at a rate of 1.959% and has an effective start date of June 28, 2018 and terminates on June 29, 2020. (See “Lantic Inc. — Credit Facility”).

### *Accounting for Financial Instruments*

International Financial Accounting Standards (“IFRS”) require 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 cannot be designated as accounting hedges under these rules.

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

The above description on financial derivatives 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 last two fiscal years approximately 81.2% in fiscal 2016 and 81.6% in fiscal 2015 were to the industrial market, 13.4% in fiscal 2016 and 13.5% in fiscal 2015 were to the consumer market, and 5.4% in fiscal 2016 and 4.8% in fiscal 2015 were for export. No single customer accounted for 15% or more of Lantic’s revenues in fiscal 2016 and fiscal 2015.

Lantic’s marketing efforts continue to focus on building volume through market share growth and expansion of its brand with the development of new specialty products and alternate sweetener solutions. In fiscal 2016, Lantic increased its efforts in the new product development area with the launch of co-branded Coconut Sugar and Sugar + Stevia blend. During the year, Lantic also completed a review of selected packaging formats with a view to improve its functionality and/or add value to the consumer. This effort culminated with the launch of a newly designed sugar cube packaging and the launch of several new shop keeping unit’s to its retail customers. Validating the quality of new product development activities, Lantic received a nomination from the Retail Council of Canada as a finalist in the 2015 Canadian Grand Prix award in the category of “new products” for its Stevia product. This recognition will continue to fuel Lantic’s drive to improve offerings of value-added products to its customers. Lantic realizes that consumer awareness, education and product promotion are important pillars of its marketing strategy. Lantic’s website was redesigned to be more focused on its customers and their needs. Shortly after its launch, Lantic, through its website design consultants, received the “Special Kudos” award from CSS Design Awards for a special commendation for noteworthy websites.

### ***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 600,000 tonnes per year.

The market shares by volume of Eastern Canada shipments of domestic cane refiners since 2012 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Lantic .....	48.2	47.3	46.4	45.5	44.7
Redpath Sugar Ltd. ....	51.8	52.7	53.6	54.5	55.3

SOURCE: STATISTICS CANADA

In addition to Redpath Sugar Ltd., in Eastern Canada, Lantic’s competition includes smaller regional distributors, which source their refined sugar from either domestic or foreign suppliers. Over the last five years, the aggregate market share held by these distributors has varied from approximately three to five percent of Eastern sugar consumption.

Competition in Western Canada comes mainly from imports in the industrial and consumer segments and from HFCS for liquid substitutable products. Competition from Eastern Canada refiners is somewhat mitigated by the cost of transportation from Eastern Canada to the Prairies and Vancouver.

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. In October 1995, the United States assigned a specific sugar quota of 10,300 tonnes to Canada which was temporarily increased to 12,000 tonnes in fiscal 2012 and 2013, in addition to a global quota of 7,090 tonnes which was temporarily increased to 8,300 tonnes in fiscal 2012 and 2013. 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 Lantic is the only beet sugar producer in Canada, it has filled the available Canada specific quota to the U.S. every year.

In July 1995, Revenue Canada 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 European Union (“EU”). The Canadian International Trade Tribunal (“CITT”) conducted an inquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

Under Canadian laws, these duties must be reviewed every five years. On October 30, 2015, the CITT concluded its fourth review of the 1995 finding and issued its decision to continue the finding against dumped and subsidized sugar from the U.S. and EU for another five years.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the U.S. and EU sugar regimes have not materially changed the factors that originally led to the original CITT decision and the importance of continuing these duties. However, there is no assurance that in 2020 these duties will be

continued for a further five years. It is also possible that an interim review could be conducted prior to 2020 if there is a material change in circumstances related to the CITT finding.

Canada now has free trade agreements in force with more than 10 countries, however, few beyond the North American Free Trade Agreement (“NAFTA”) offer significant market potential for Canadian sugar and sugar-containing products (“SCPs”). There are a number of reasons why these free trade agreements (“FTAs”) have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with the Republic of Korea and the Ukraine, excluded refined sugar from tariff improvements. “Rules of origin” in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available because sugar refined in Canada from Costa Rica raw sugar does qualify for some preferential access to that market.

More recent negotiations with the EU and the Trans Pacific Partnership (“TPP”) offer much greater opportunity for Canadian refined sugar, SCPs and Canadian processed foods made with Canadian refined sugar.

The Canada-European Union Comprehensive Economic and Trade Agreement (“CETA”) was signed on October 30, 2016, concluding seven years of negotiations. On October 31, 2016, the Government of Canada tabled the treaty and introduced implementing legislation in the House of Commons beginning the formal legislative process towards final ratification in Canada. The EU approval process may take longer because it requires each of the EU member states to ratify the agreement after approval by the European Parliament. A likely scenario will see CETA being ratified by Canada and the EU Parliament late in 2016 and then 90% of CETA, including tariff reductions, could be provisionally implemented in early 2017. More controversial provisions including investment rules will require EU member state approval and this could take a number of years.

The CETA is a positive development in the sugar market that is otherwise distorted by widespread government intervention in the EU. Under provisional implementation of the agreement, Canada is expected to have material financial benefits from exports of SCP which should contribute to the long term prosperity of Canada’s sugar industry. The initial SCP volume is set at 30,000 metric tonnes growing in 5 year increments to 51,840 metric tonnes over 15 years. It is too early to determine how the quota allocation will be administered within the Canadian refined sugar industry. Regardless, Lantic is committed to ensuring maximum utilization of this new export opportunity in a well-developed market which will be beneficial to Lantic in the future and has already started exploratory discussions with potential customers.

On February 4, 2016, Canada’s Trade Minister signed the TPP agreement along with Ministers of the other 11 TPP countries – Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. The United States granted Canada a combined 19,200 metric tonnes of new access consisting of two separate tariff rate quotas; one for 9,600 metric tonnes of Canadian origin refined sugar and a second for 9,600 metric tonnes of SCPs. As the only producer of Canadian origin sugar, Lantic’s Canadian-specific quota will increase from 10,300 metric tonnes to 19,900 metric tonnes once the TPP agreement is in place. It is too early to determine how the SCP quota allocation will be administered within the Canadian refined sugar industry.

The TPP countries are diverse in terms of sugar policies and trade but collectively represent an important opportunity to advance trade in refined sugar and SCPs. Lantic and the other Canadian sugar refiner may also benefit from new TPP-wide access for SCPs in Japan, Malaysia and Vietnam. The Canadian Sugar Institute (“CSI”) is in the process of analyzing the quota and tariff benefits in each country but given the complexity of the agreement, an understanding of possible gains in new export markets will depend on further Government of Canada research and analysis. The Government of Canada has committed to the development of implementation plans to help Canadian businesses to take advantage of the opportunities that flow from trade agreements such as the TPP.

For the TPP to take effect, it has to be ratified by at least six TPP countries, representing 85% of their combined gross domestic product. This means that the U.S. and Japan must be among the countries to approve the deal before it can be implemented. Japan is progressing towards ratification; however, the outcome of the 2016 U.S. election makes it unlikely that the TPP will be ratified in the U.S. Given these uncertainties, Lantic does not expect any financial benefits from the TPP in fiscal 2017.

Canada is also active in other bilateral FTA negotiations including with Japan (separate from the TPP) and with India but these are progressing slowly. If the TPP does not advance towards implementation in the near future, it is likely that Canada will resume more active bilateral negotiations with Japan. Canada has also been engaged in other exploratory discussions that may result in free trade negotiations with Turkey, the Philippines and Thailand. On September 22, 2016, additional exploratory talks were announced with China. The CSI anticipates a formal consultation process that will enable the sugar industry to provide its specific perspective to the Government of Canada on market access priorities for sugar and SCPs in any future Canada-China FTA negotiations.

The CSI will continue to monitor these exploratory discussions and formal negotiations for any meaningful developments that may be of value to Canada's sugar industry while also monitoring potential threats. Lantic continues to remain concerned that the inclusion of refined sugar in Canada's various regional and bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing offsetting export market opportunities. The real potential for significant, long-term export gains is via a global agreement through the World Trade Organization ("WTO"). However, the WTO Doha round negotiations have been on hold since July 2008 with no specific date for conclusion. The CETA and TPP negotiations provide the best medium term prospect of improved export opportunity for the Canadian sugar industry. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry.

### ***Human Resources***

Lantic, at the Montréal refinery's Eastern operation has 300 employees, 200 of whom are unionized and separated into four locals. The CSN, a confederation of Québec union locals represents three locals, the main local of the production employees and the smaller locals of the sugar boilers and of the laboratory technicians. The Bakery, Confectionery and Tobacco Workers International Union represents the other smaller local comprised of powerhouse employees. The three-year collective agreement with the main local and three of the smaller locals of the production employees expired in February 2016. During fiscal 2016, five-year labour agreements were reached with the main local and with two of the other three smaller locals. Subsequent to year-end, a five-year labour agreement was reached with the remaining local. The new agreements were all agreed upon at competitive rates.

There are 10 unionized employees at the Toronto distribution center and all warehouse employees are represented by Local union 419 of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America. The existing collective agreement was concluded in June 2012, for a six-year term expiring in June 2018. Lantic discontinued its fleet operation in Toronto in fiscal 2013 and as a result, all truck drivers were terminated.

Lantic has 131 permanent employees at the Vancouver refinery's Western operation, whom are represented by the Retail Wholesale Union. The existing collective agreement was concluded in July 2013, for a five-year term expiring in February 2018. At the Taber beet processing facility, 88 of the 135 permanent employees are represented by the United Food and Commercial Workers Union. The collective agreement will expire in March 2017. In addition, the Taber beet processing facility hires approximately 240 seasonal employees for the beet processing campaign.

Besides a six-day work stoppage at the Montréal refinery in June 2016, there have been no work stoppages at the Montréal, Vancouver or Taber facilities in the past 25 years.

### ***Capital Expenditures***

Lantic's capital expenditures are comprised of maintenance and investment requirements. Maintenance capital expenditures are additions or replacements to fixed assets required to maintain the facilities at current operating levels. Investment capital represents capital investments which offer substantial operational savings or enhanced revenue opportunities.

Over the past five years, Lantic's capital expenditures have been as follows:

	<u>For the fiscal years</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Maintenance capital.....	\$ 14,321	\$ 10,667	\$ 8,700	\$ 7,687	\$ 8,489
Operational excellence capital .....	835	772	2,869	1,430	694
Total .....	<u>\$15,156</u>	<u>\$ 11,439</u>	<u>\$ 11,569</u>	<u>\$ 9,117</u>	<u>\$ 9,183</u>

## ***Environment***

Lantic's policy is to meet all applicable government requirements with respect to environmental matters. Management believes that Lantic is in compliance in all material respects with environmental laws and regulations and maintains an open dialogue with regulators and the Government with respect to awareness and adoption of new standards.

With respect to potential environmental remediation of Lantic's properties, which could occur in the event of a building demolition or a sale, it is worth noting that Lantic's Vancouver facility has a lengthy history of industrial use. Fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials.

Similarly, Lantic's Montréal facility, including the vacant lot acquired in 2001, has a lengthy history of industrial use. Contamination has been identified at the vacant lot and Lantic has been advised that additional soil and groundwater contamination is likely to be present. Given the industrial use of the property, and the fact that Lantic does not intend to change the use of the property in the future, Lantic does not anticipate any material expenditures being required in the short term to deal with this contamination, unless off-property impacts are discovered. In fiscal 2013, Lantic spent \$0.7 million to remove an unused oil tank. In fiscal 2016, Lantic spent \$0.6 million to remove contaminated soil under the tank. Lantic recorded a provision for this purpose, which management expects to be sufficient.

Although Lantic is not aware of any specific problems at its Toronto distribution centre and Taber plant, no assurance can be given that expenditures will not be required to deal with known or unknown contamination at the property or other facilities or offices currently or formerly owned, used or controlled by Lantic.

## **RISK FACTORS**

Lantic's business and operation is substantially affected by many factors, including prevailing margins on refined sugar, weather conditions, its ability to market sugar competitively, operating costs and government programs and regulations. Investors should carefully consider the risk factors and other investment considerations described below.

### **Dependence upon Lantic**

The Corporation is entirely dependent upon the operations and assets of Lantic through its ownership of securities of that company. Accordingly, interest payments to Debentureholders and dividends to Shareholders 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 Corporation, 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.

### **Government regulations and foreign trade policies**

In July 1995, Revenue Canada 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 EU. The CITT conducted an inquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

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Canada now has free trade agreements in force with more than 10 countries, however, few beyond NAFTA offer significant market potential for Canadian sugar and SCPs. There are a number of reasons why these FTAs have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with Korea and the Ukraine, excluded refined sugar from tariff improvements. "Rules of origin" in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available because sugar refined in Canada from Costa Rica raw sugar does qualify for some preferential access to that market.

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Japan, Malaysia and Vietnam. The CSI is in the process of analyzing the quota and tariff benefits in each country but given the complexity of the agreement, an understanding of possible gains in new export markets will depend on further Government of Canada research and analysis. The Government has committed to the development of implementation plans to help Canadian businesses to take advantage of the opportunities that flow from trade agreements such as the TPP.

For the TPP to take effect, it has to be ratified by at least six TPP countries, representing 85% of their combined gross domestic product. This means that the U.S. and Japan must be among the countries to approve the deal before it can be implemented. Japan is progressing towards ratification; however, the outcome of the 2016 U.S. election makes it unlikely that the TPP will be ratified in the U.S. Given these uncertainties, Lantic does not expect any financial benefits from the TPP in fiscal 2017.

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## **Competition**

Lantic faces domestic competition from Redpath Sugar Ltd. 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, sucralose and stevia. 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. Lantic is not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of Lantic.

## **Fluctuations in margins and foreign exchange**

Lantic's profitability is principally affected by its margins on domestic refined sugar sales. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. Lantic, through the Canadian-specific quota, normally sells approximately 10,300 metric tonnes of refined sugar per year in the U.S. 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 for in Canadian dollars to the Growers. Fluctuations in the value of 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, and sales to the U.S. under other announced specific quotas, 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 #11 world raw sugar price and all transactions are hedged. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on the adjusted gross margins of the cane operations. The world raw sugar price can, however, impact the profitability of Lantic's beet operations. Sugar derived from beets is purchased at a fixed price, plus an incentive when sugar prices rise over a certain level, and the selling price of domestic refined sugar rises or falls in relation to the #11 world raw sugar prices.

A relatively high world raw sugar price and/or low price of corn will also reduce the competitive position of liquid sugar in Canada as compared to HFCS which could result in the loss of HFCS substitutable business for Lantic.

## **Security of Raw Sugar Supply**

There are over 180 million metric tonnes of sugar produced worldwide. Of this, more than 60 million metric tonnes of raw cane sugar is traded on the world market. Lantic, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw supply is much larger than Lantic's yearly requirements, concentration of supply in certain countries like Brazil, combined with an increase in cane refining operations in certain countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, Lantic normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

The availability of sugar beets to be processed in Taber, Alberta is dependent on a supply contract with the Growers, and on the Growers planting the necessary acreage every year. In the event that sufficient acreage is not planted in a certain year, or that Lantic and the Growers cannot agree on a supply contract, sugar beets might not be available for processing, thus requiring transfer of products from Lantic's cane refineries to the Prairie market, normally supplied by Taber. This would increase Lantic's distribution costs and may have an impact on the adjusted gross margin rate per metric tonne sold.

## **Weather and other factors related to production**

Sugar beets, as is the case 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 extraction from 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.

## **Operating costs**

Natural gas represents an important cost in Lantic's refining operations. Its Taber beet factory includes primary agricultural processing and refining. As a result, Taber uses more energy in its operations than the cane facilities in Vancouver and Montréal, principally as a result of the need to heat the cossettes (sliced sugar beets) to evaporate water from juices containing sugar, and to dry wet beet pulp. Changes in the costs and sources of energy may affect the financial results of Lantic's operations. 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 a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas. Provincial application of some form of carbon tax has been increasingly important across Canada. This new trend could increase the overall energy costs for Lantic.

In August, the Montréal refinery received confirmation from its natural gas provider that a long-term firm gas contract was accepted by the *Régie de l'énergie du Québec*, which will expire in November 2019. This will eliminate incremental energy costs relating to service interruptions as a result of cold winter conditions.

## **Employee relations**

The majority of Lantic's operations are unionized.

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. Lantic also performs its own audits designed 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 are 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 Lantic is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and Lantic anticipates this trend will continue, 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 clean-up costs. 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 can be imposed by environmental regulators or other third parties. No assurance can be given that any such liabilities will not be material.

## **Income tax matters**

The income of the Corporation 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 available for dividends. There can be no assurance that taxation authorities will accept the tax positions adopted by the Corporation or its subsidiaries, including their determinations of the amounts of federal and provincial income taxes, which could materially adversely affect cash available for dividends.

The Corporation's corporate structure involves a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable at Lantic's level. 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 available. Management believes that the interest expense inherent in the structure of the Corporation is supportable and reasonable in light of the terms of the debt owed by Lantic to Rogers.

## **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 Shares have limited say in matters affecting the operations of Lantic and, if the Shareholders 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 Rogers.

## DIVIDENDS

For a detailed table of the dividends per Share for each of the three most recently completed financial years, see “Review of Operations and Business” on page 101.

Since the Arrangement, the Corporation has been paying a quarterly dividend between \$0.085 and \$0.09 per Share; however, the Board can modify its dividend practice from time to time in its discretion, see “Review of Operations and Business — The Corporation”.

## MARKET FOR SECURITIES

Shares are listed for trading on the TSX under the symbol RSI and Fourth Series Debentures and Fifth Series Debentures are listed for trading on the TSX under the symbol RSI.DB.C and RSI.DB.D respectively.

The monthly trading volume and price ranges of the Corporation’s securities traded on the TSX over the last financial year are as follows:

<u>Month</u>	<u>Shares</u>			<u>Fourth Series Debentures</u>			<u>Fifth 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 2015 .....	4.29	4.00	1,504,753	101.000	99.320	5,260	102.750	100.000	2,760
November 2015 .....	4.33	4.04	1,848,335	102.500	100.000	2,220	103.710	102.490	2,250
December 2015.....	4.38	4.07	1,842,723	102.000	99.000	3,470	103.510	103.250	5,570
January 2016.....	4.22	4.00	2,308,029	101.250	95.200	4,090	103.760	98.000	6,640
February 2016.....	5.00	4.14	4,070,154	101.250	99.990	3,960	103.000	99.500	6,970
March 2016.....	5.15	4.73	3,364,028	102.250	100.750	4,470	103.500	102.250	3,020
April 2016.....	5.16	4.65	3,578,071	104.500	101.500	3,680	102.610	101.250	5,320
May 2016.....	5.80	4.99	4,250,200	104.000	102.210	3,180	103.750	102.990	5,010
June 2016.....	5.92	5.73	2,937,956	103.000	101.850	1,810	104.250	102.750	2,510
July 2016 .....	6.24	5.72	2,839,076	103.000	101.260	3,530	106.510	103.000	2,340
August 2016.....	6.49	6.16	3,079,820	102.950	101.160	3,600	105.010	103.000	1,120
September 2016.....	6.74	6.28	2,864,749	104.000	101.250	14,780	104.100	103.000	2,630

## PRIOR SALES

No shares were issued in fiscal 2016 under the Share Option Plan and no other securities were issued by the Corporation in fiscal 2016.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

To the knowledge of the Corporation, no Shares are held in escrow or subject to contractual restrictions on transfer.

## DIRECTORS AND OFFICERS

### Directors of Rogers

The names, municipalities of residence and principal occupation for the five preceding years of the Directors are shown below. All of the Directors were also trustees of the Fund at the time of the Arrangement. Mr. Ross has held office 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. Mr. Maslechko has held office since May 3, 2006, and Mr. Bergmame has held office since April 27, 2009. The Directors are appointed each year at the annual meeting of Shareholders.

<u>Director and Municipality of Residence</u>	<u>Principal Occupation</u>
Dean Bergmame <sup>(1) (2)</sup> ..... Montréal, Québec	Director
A. Stuart Belkin..... Vancouver, British Columbia	Chairman and Chief Executive Officer Belcorp Industries Inc., an investment holding company
Michel P. Desbiens <sup>(1)(2)</sup> ..... St-Lambert, Québec	Director
William Maslechko <sup>(2)</sup> ..... Calgary, Alberta	Partner Burnett, Duckworth & Palmer LLP, a law firm
M. Dallas H. Ross <sup>(1)</sup> ..... Vancouver, British Columbia	Partner Kinetic Capital Limited Partnership, a private investment partnership

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<sup>(1)</sup> Member of the Audit Committee of the Board of Directors.

<sup>(2)</sup> Member of the Nominating and Governance Committee of the Board of Directors.

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

The Corporation 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.

The board of Lantic currently consists of seven Directors. The Lantic Board members are A. Stuart Belkin, Michael Heskin, Donald Jewell, Daniel Lafrance and John Holliday, who was appointed on May 1, 2015, each of whom are nominees of Belkin Enterprises, and Michel P. Desbiens and M. Dallas H. Ross, each of whom are nominees of Rogers. The above mentioned Directors will serve until the next annual meeting of Shareholders of the Corporation 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.

<b><u>Directors and Officers and Municipality of Residence</u></b>	<b><u>Office (Held Since)</u></b>	<b><u>Principal Occupation</u></b>
A. Stuart Belkin <sup>(2)</sup> ..... Vancouver, British Columbia	Director, 1997	Chairman & Chief Executive Officer, Belkorp Industries Inc., an investment holding company
Robert Copeland ..... Beaconsfield, Québec	Officer, 2011	Vice-President of Operations, Lantic Inc.
Michel P. Desbiens <sup>(1)(2)</sup> ..... St-Lambert, Québec	Director, 2006	Director
Diana R. Discepola ..... Montréal, Québec	Officer, 2013	Director of Finance, Lantic Inc.
Jean-François Khalil ..... Montréal, Québec	Officer, 2015	Corporate Director, Human Resources, Lantic Inc.
Michael A. Heskin <sup>(1)(2)</sup> ..... Vancouver, British Columbia	Director, 2003	Senior Vice-President of Finance and Chief Financial Officer, Belkorp Industries Inc., an investment holding company
Donald G. Jewell <sup>(2)</sup> ..... Vancouver, British Columbia	Director, 2003	Managing Partner, RIO Industrial, a financial management services partnership
Manon Lacroix ..... St-Laurent, Québec	Officer, 2009	Vice-President Finance and Secretary, Lantic Inc.
Daniel Lafrance <sup>(1)(2)</sup> ..... Kirkland, Québec	Director, 2013	Director
John Holliday ..... Montréal, Québec	Director and Officer, 2015	President & Chief Executive Officer, Lantic Inc. and Rogers Sugar Inc.
M. Dallas H. Ross <sup>(1)(2)</sup> ..... Vancouver, British Columbia	Director, 1997	Partner, Kinetic Capital Limited Partnership, a private investment partnership
Michael Walton ..... Quispamsis, New Brunswick	Officer, 2011	Vice-President Sales and Marketing, Lantic Inc.

<sup>(1)</sup> Member of the Audit Committee of the Board of Directors of Lantic. Mr. Heskin will be retiring from the Audit Committee of Lantic in January 2017 and is to be replaced by Mr. Lafrance.

<sup>(2)</sup> Member of the Lantic Human Resources and Compensation Committee.

Each of the foregoing persons has held the same principal occupation for the previous five years, except for Mr. Lafrance who prior to August 2013, was Senior Vice-President of Finance and Procurement, CFO and Secretary for Lantic and Rogers, Ms. Lacroix who, prior to August 2013, was Director of Finance for Lantic, Ms. Discepola who, prior to August 2013, was Controller for Lantic and Mr. Holliday, who prior to May 1, 2015, was North American President of Operations for Canada Malting and Great Western Malting from July 2011 to April 2015.

### **Shareholdings of Directors**

To the knowledge of the Corporation, the Directors of the Corporation (with the exception of Mr. Belkin) together as a group, beneficially own, directly or indirectly, or exercise control or direction over 162,015 Shares, representing 0.17% of the outstanding Shares of Rogers and no Director of Rogers beneficially owns or controls voting securities of Lantic. Mr. Belkin beneficially owns or exercises control or direction over 11,379,502 Shares, representing 12.1% of the outstanding Shares of Rogers through his control of Belkin Enterprises Ltd. and its affiliates.

### **Audit Committee**

The Corporation has an audit committee (the "Audit Committee") which is responsible to (i) oversee the integrity of the Corporation's financial statements and financial reporting process, including the audit process and the Corporation's internal accounting controls and procedures and compliance with related legal and regulatory requirements; (ii) oversee the qualifications and independence of the Corporation's external auditors who shall report directly to the Audit Committee; (iii) oversee the work of the Corporation'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 October 1, 2016, the Audit Committee was composed of Dean Bergmame, 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:

- *Dean Bergmame:* From 1998 to 2008, Mr. Bergmame was Senior Vice-President Finance and Chief Financial Officer of St. Lawrence Cement Inc. and prior to 1998, Mr. Bergmame held various senior finance positions with Redpath Industries Ltd., including Vice-President Finance and Secretary. Mr. Bergmame is a director and chief financial officer of a private corporation. Mr. Bergmame is a Chartered Professional Accountant ("CPA"), Certified General Accountant ("CGA").
- *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. In addition to serving on the Board of Rogers Sugar Inc. and Lantic Inc., Mr. Desbiens is on the Board of Resolute Forest Products Inc. since May 2013 and sits on various committees, including the Audit Committee of Rogers and Lantic.
- *M. Dallas H. Ross:* Mr. Ross is the Chairman of the Audit Committee for Lantic Inc. and for Rogers.

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 with Ernst & Whinney Inc.

In addition to currently serving on the Board of Rogers and Lantic, Mr. Ross is on the Board of Westshore Terminals Investment Corporation and Westshore Terminals Ltd. and is the CFO of Westshore Terminals Investment Corporation. He is also a Director of a number of private companies.

The Directors of the Corporation 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 Rogers or its subsidiaries which could, in the view of the Directors of the Corporation, 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 Corporation'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 Corporation.

***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 Corporation and its subsidiaries by the Corporation's external auditors, KPMG LLP.

***External Auditors Service Fees (By category)***

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

	<u>Fiscal Year Ended October 1, 2016</u>	<u>Fiscal Year Ended October 3, 2015</u>
	(In thousands of dollars)	
<b>KPMG LLP</b>		
Audit Fees.....	\$286.0	\$275.0
Audit Related Fees <sup>(1)</sup> .....	\$ 81.9	\$ 87.5
Tax Fees <sup>(2)</sup> .....	\$ 13.7	\$ 16.8
All Other Fees .....	<u>\$ 92.7</u>	<u>\$ -</u>
<b>Total</b> .....	<u>\$474.3</u>	<u>\$379.3</u>

<sup>(1)</sup> This item represents fees for services relating to the audit of pension plans, translation and accounting consultations for new accounting standards.

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

**Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

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

- (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 Corporation 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.

Mr. Ross was asked to join the Board of Directors of Catalyst Paper Corporation in May 2010 to assist in the possible restructuring of that organization. Catalyst Paper Corporation subsequently filed for CCAA protection in January 2012, reorganized its financial affairs significantly over a number of months and then successfully emerged from CCAA in September 2012 at which time a new Board representing the post recapitalization stakeholders was appointed.

To the knowledge of the Corporation, no Director of the Corporation (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 Corporation, except as may be described elsewhere in this annual information form, no Director of the Corporation has an existing or potential material conflict of interest with the Corporation or any of its subsidiaries.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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

To the knowledge of the Corporation, 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 Corporation or settlement agreements entered into by the Corporation with a court or a securities regulatory authority relating to securities legislation during fiscal 2016.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

To the knowledge of the Corporation, no director of the Corporation 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 Shares 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 Rogers or Lantic.

#### **MATERIAL CONTRACTS**

The following contracts were entered into other than in the ordinary course of business, are material to Rogers 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 Arrangement Agreement in connection with the Arrangement;
- The Administration Agreement, the Fund Governance Agreement and the Governance Agreement (described under the heading, “Rogers Sugar Inc. — Administration — Governance Agreements”);
- The Indenture, as supplemented (described under the heading, “Rogers Sugar Inc. — Capital Structure — Debt Instruments”);
- The RSL Note Indenture (described under the heading, “Lantic Inc. — Notes”);
- The RSL 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 Corporation who prepared the Auditors’ Report to the Shareholders dated November 23, 2016, with respect to the consolidated financial statements of the Corporation for the year ended October 1, 2016 consisting of consolidated balance sheets and consolidated statements of operations and comprehensive income, shareholders’ equity and cash flows for the year then ended. KPMG LLP is independent with respect to Rogers Sugar Inc. within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

### **TRANSFER AGENTS AND REGISTRARS**

Computershare Investor Services Inc. in Toronto, Ontario, Canada, is the transfer agent and registrar for the Shares and Computershare Trust Company of Canada is the trustee for the Debentures.

### **DATE OF INFORMATION**

Unless otherwise indicated, the information contained in this annual information form is given as of October 1, 2016. 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 October 1, 2016, 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 Corporation 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 Corporation 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 Corporation'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 Corporation that have been filed, if any, for any period after the end of its most recently completed financial year;
- (iii) the Corporation's information circular in respect of its most recent annual meeting of Shareholders that involved the appointment of Directors; 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 Corporation may be required to pay a reasonable charge for such copies.

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

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

Additional information relating to the Corporation can also be found on SEDAR's website at [www.sedar.com](http://www.sedar.com).

## SCHEDULE “A”

### ROGERS SUGAR INC.

#### AUDIT COMMITTEE CHARTER

The term “**Company**” refers to Rogers Sugar Inc., the term “**Board**” refers to the board of Directors of the Company and the term “**Administrator**” refers to Lantic Inc. in its capacity as administrator of the Company 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 Company’s financial reporting including responsibility to:

- oversee the integrity of the Company’s financial statements and financial reporting process, including the audit process and the Company’s internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Company’s external auditors who shall report directly to the Committee;
- oversee the work of the Company’s (and to the extent possible under the Administration Agreement, the Administrator’s) financial management and external auditors in these areas;
- provide an open avenue of communication between the external auditors, the Board, the Administrator and the Administrator’s financial management;
- recommend to the Board the external auditors to be nominated and review and approve the compensation of the external auditors;
- pre-approve all non-audit services to be provided to the Company;
- oversee the work of the external auditors, including the resolution of any disagreement between management and the external auditors; and
- be satisfied that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess the adequacy of such procedures.

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 Company, Lantic Inc. or any of their respective subsidiaries and each member of the Committee shall be a director who is an “**Independent Nominee**” (as defined in the **Governance Agreement**) and shall be an “independent” director (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 Company’s shares are listed for trading); provided that the fact that a director is also a director of Lantic Inc. will not disqualify the director from being a member of the

Committee provided that the director 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.

The quorum for meeting shall be a majority of the members (two) of the Committee present, in person or by telephone.

## **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 director. 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 directors. 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 shareholders 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 Company’s shares 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, the Vice-President, Finance and Secretary or any other individual performing similar functions (“CFO”) 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 Company’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 Company 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 Company 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 Company.

## **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 Company's External Auditors

- (a) review the performance of the external auditors of the Company who shall report directly to the Committee and who are accountable to the Committee and the Board, as the representatives of the shareholders, 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 Company to be proposed in the Company's proxy circular for shareholders' approval and shall have authority to terminate the external auditors;
- (b) review the reasons for any proposed change in the external auditors of the Company 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 Company to the Company's external auditors;
- (d) review the independence of the Company'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 Company 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;

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;

- (f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Company's external auditors;
- (g) approve any hiring by the Company of partners, employees and former partners and employees of the Company's present or former external auditors;
- (h) review a written or oral report describing:
  - (i) all critical accounting policies and practices to be used in the Company'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 Company'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 Company's external auditors and the Administrator, such as any management letter or schedule of unadjusted differences;
- (i) review with the external auditors and the Administrator the general audit approach and scope of proposed audits of the financial statements of the Company, 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

- (j) 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 Company's Financial Disclosure**

- (a) review with the external auditors and/or the Administrator, as appropriate:
  - (i) the Company'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 Company contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Company and make recommendations to the Board for their approval;
  - (ii) the Company'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 Company's accounting principles and practices used in its financial reporting, changes in the Company'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 Company'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 Company'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 Company;
  - (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 Company and their impact on the reported financial results of the Company;
  - (viii) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Company'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 Company's financial statements;
  - (ix) review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Company'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 Company'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 Company, 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 Company gives earning guidance;

(d) review Company 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 Company, and periodically assess the adequacy of these procedures, (ii) the receipt and treatment of complaints received by the Company 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 CFO 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 Company’s internal controls; and

(g) review and discuss the Company’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**

(a) review periodically insurance programs relating to the Company and its investments.

### **IV. In Respect of Internal Controls**

(a) review the adequacy and effectiveness of the Company’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;

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

(c) maintain on-going communication with the Director of Corporate Accounting and Controls with regards to the Company’s internal controls.

### **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 Company’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 Company’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 Company, 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 Company’s financial information or public disclosure.

*ROGERS SUGAR INC.*

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