Superior Plus
Income Fund

Annual Information Form

(for the fiscal year ended December 31, 2007)

March 10, 2008

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In this Annual Information Form, all dollar figures are in Canadian dollars, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES

Forward Looking Information

Certain information included or incorporated by reference herein is forward-looking, within the meeting of applicable Canadian securities laws. Forward-looking information includes, without limitation, statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, distributable cash flow, taxes and plans and objectives of or involving Superior Plus Income Fund (the "Fund") or Superior Plus LP ("Superior LP" or the "Partnership"). Much of this information can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words. Forward-looking information in this Annual Information Form ("AIF") includes, but is not limited to, outlooks, capital expenditures, business strategy and objectives. The Fund and Superior LP believe the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties some of which are described herein. Such information necessarily involves known and unknown risks and uncertainties, which may cause the Fund's or Superior LP's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking information. These risks and uncertainties include but are not limited to the risks identified in this AIF under the heading "Risk Factors" and in the Fund's most recent Annual Management's Discussion and Analysis. Any forward-looking information made is provided as of the date hereof and, except as required by law, neither the Fund nor Superior LP undertakes any obligation to publicly update or revise such information to reflect new information, subsequent or otherwise.

With respect to forward-looking information contained in this AIF and in addition to other assumptions identified in this AIF, we have made assumptions regarding, among other things:

Corporate

- The Fund expects current economic conditions in Canada and the United States to prevail for 2008 with an improved outlook for 2009;
- The Fund continues to attract capital and obtain financing on acceptable terms;
- The foreign currency exchange rate between the Canadian and United States dollar is expected to be par on all unhedged foreign currency transactions;
- Superior's average interest rate on floating rate debt is expected to remain stable to marginally lower throughout 2008, increasing modestly in 2009;
- Financial and physical counterparties continue to fulfill their obligations to Superior; and
- Regulatory authorities do not impose any new regulations impacting the Fund.

Superior Propane

- Superior Propane forecasts average temperatures across Canada to be consistent with the most recent five year average;
- Superior Propane expects that wholesale propane prices will not significantly impact demand for propane and related propane services;
- Total gross profit for Superior Propane is projected to increase due to the on-going implementation of customer service programs and an increase in propane volumes; and
- Market opportunities for Superior Propane's wholesale trading division are expected to be consistent with the prior years.

ERCO

- Current supply and demand fundamentals for sodium chlorate and potassium/chloralkali products will remain stable, resulting in no significant changes to total chemical sales prices and sales volumes;
- ERCO's average plant utilization is expected to be greater than 90%;
- The foreign currency exchange rate between the Canadian and US dollar is expected to be par on all unhedged foreign currency transactions; and

- ERCO's conversion of its Port Edwards, Wisconsin chloralkali facility from mercury based technology to membrane technology for US $95 million is expected to be completed on-budget in the second half of 2009.

Winroc

- The current economic conditions in Canada and the United States are expected to prevail in 2008 with slight improvement in 2009; and
- Gross profit is expected to be stable as strong demand in Western Canada for residential and commercial sales volumes continues to offset weakness in Ontario and United States residential sales volumes.

Superior Energy Management ("SEM")

- SEM is able to access sales channel agents on acceptable contract terms;
- Natural gas markets in Ontario and British Columbia will continue to provide significant growth opportunities for SEM; and
- The electricity market in Ontario is expected to provide an additional growth opportunity for SEM.

Non-GAAP Measures

Distributable Cash Flow

Distributable cash flow of the Fund available for distribution to Unitholders is equal to cash generated from operations adjusted for changes in non-cash working capital and natural gas and electricity customer acquisition costs, less maintenance capital expenditures. Maintenance capital expenditures are equal to capital expenditures incurred to maintain the capacity of Superior's operations and are deducted from the calculation of distributable cash flow. Acquisitions and other capital expenditures incurred to expand the capacity of Superior's operations or to increase its profitability ("growth capital") are excluded from the calculation of distributable cash flow. The Fund may deduct or include additional items to its calculation of distributable cash flow, these items would generally, but not necessarily, be items of a non-recurring nature. Distributable cash flow is the main performance measure used by management and investors to evaluate the performance of the Fund and its businesses. Readers are cautioned that distributable cash flow is not a defined performance measure under Canadian generally accepted accounting principles ("GAAP"), and that distributable cash flow cannot be assured. The Fund's calculation of distributable cash flow, maintenance capital and growth capital may differ from similar calculations used by comparable entities. Operating distributable cash flow is distributable cash flow before corporate and interest expenses. It is also a non-GAAP measure and is used by management to assess the performance of the operating divisions.

Standardized Distributable Cash Flow

During 2007, the CICA published an interpretive release, *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure,* in order to provide its recommendations related to the measurement and disclosure of cash available for distributions. The guidance was issued in an effort to improve the consistency, comparability and transparency of the reporting of the measure commonly referred to as distributable cash flow. Superior's calculation of standardized distributable cash flow is, in all material respects, in accordance with the recommendations provided by the CICA.

Superior views the CICA recommendations as a positive step in providing stakeholders with meaningful information, but consistent with the guidance provided by the CICA, Superior has determined that due to the nature of Superior's businesses, certain adjustments to standardized distributable cash flow are required to better reflect the cash flow available to be distributed to Unitholders. Superior's adjusted standardized distributable cash flow is referred to as distributable cash flow and is unchanged from Superior's previous definition or measurement of distributable cash flow. Superior's distribution policy is based on distributable cash flow on an annualized basis and accordingly, the seasonality of Superior's individual quarterly results must be assessed in the context of annualized distributable cash flow. Adjustments recorded by Superior as part of its calculation of distributable cash flow include, but are not limited to, the impact of the seasonality of Superior's businesses, principally Superior Propane, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenues and expenses, which can, from quarter to quarter, differ significantly. Superior's calculation also distinguishes between capital expenditures that are maintenance related and those that are growth related, in addition to allowing for the proceeds received on the sale of certain capital items. Adjustments are also made to reclassify the cash flows related to natural gas and electricity customer acquisition costs in a manner consistent with the income statement recognition of these costs.

EBITDA

EBITDA represents earnings before interest, taxes, depreciation and amortization calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures and is used by Superior to calculate its debt covenants and other credit information and is not a defined performance measure under GAAP. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities.

CORPORATE STRUCTURE

Superior Plus Income Fund

Superior Plus Income Fund (the "Fund") is a limited purpose, unincorporated trust established under the laws of the Province of Alberta by a Declaration of Trust made as of August 2, 1996, as amended and restated most recently on September 30, 2006 (the "Declaration of Trust"). On February 26, 2003, the name of the Fund was changed from Superior Propane Income Fund to its current name. On October 7, 2003, the Declaration of Trust was amended and restated in connection with the governance reorganization (the "Governance Reorganization") of the Fund, which included the elimination of individual trustees and the appointment of Computershare Trust Company of Canada as trustee of the Fund ("Computershare" or the "Trustee"). On September 30, 2006, the Fund was further reorganized such that its business is now conducted by Superior LP and related entities rather than Superior Plus Inc. ("Superior") and related entities (the "Reorganization"). See "General Development of the Fund - The Reorganization".

The head and registered office of the Fund is located at Suite 2820, 605 – 5th Avenue SW, Calgary, Alberta T2P 3H5.

The Fund's investments in Superior LP are comprised of 2,997 Class A limited and 3 Class B general partnership units of Superior LP. The Fund's investments in Superior LP are financed by trust unit equity and 5.75% convertible unsecured subordinated debentures due December 31, 2012 and convertible at $36.00 per trust unit (the "5.75% Debentures"), and 5.85% convertible unsecured subordinated debentures due October 31, 2015 and convertible at $31.25 per trust unit (the "5.85% Debentures") collectively, (the "Debentures"). The Fund distributes to holders of trust units of the Fund ("Unitholders"), distributions received from its investment in Superior LP, after payment of Fund expenses and interest payments to the holders of Debentures of the Fund ("Debentureholders").

The Fund does not conduct active business operations, but rather, it distributes to Unitholders the income it receives from Superior LP, net of expenses and interest payable on the Debentures. Pursuant to the Declaration of Trust, the Fund is generally restricted to owning, investing in and transferring securities of Superior LP and any other entities, including without limitation, bodies corporate, partnerships or trusts, temporarily holding cash and short-term investments, disposing of the assets of the Fund, including without limitation, any securities of Superior LP, issuing securities of the Fund, borrowing funds and incurring indebtedness, making distributions and paying costs, fees and expenses of the Fund.

Subject to certain limitations which require the approval of Unitholders or the board of directors of Superior Plus Administration Inc. (the "Administrator"), the Declaration of Trust provides the Trustee with full, absolute and exclusive power, control and authority over the assets and affairs of the Fund and authorizes the Trustee to do all such acts and things as in its sole judgement and discretion are necessary or incidental to carrying out the purposes of the Fund. See "Capital Structure – Trust Units and Declaration of Trust". However, the Trustee is party to the Amended and Restated Administration Agreement dated September 30, 2006 with the Administrator, delegating broad power and authority to the Administrator to effect the actual administration of the duties of the Trustee (the "Administration Agreement"). The Administration Agreement delegates to the Administrator, and by implication, its board of directors, the exclusive authority to manage the operations and affairs of the Fund. In addition, the Administration Agreement provides the Administrator with a power of attorney to sign documents on behalf of the Fund. As a result, the Administrator and its board of directors are responsible for managing the affairs and operations of the Fund pursuant to the Administration Agreement.

Superior Plus LP

Superior LP was formed pursuant to a Partnership Agreement dated September 17, 2006 and a Declaration filed under the *Limited Partnerships Act* (Ontario) on September 19, 2006 with its initial general partner being Superior General Partner Limited and its initial limited partner being Superior. As a result of the Reorganization, Superior Plus Inc. (the "General Partner") became the general partner and the Fund the limited partner of Superior LP. Superior LP was established to carry on the propane distribution business, the specialty chemicals business, the construction products distribution business and the fixed-price energy services business, in addition to other related businesses and such other businesses as the directors of the General Partner may determine, including all activities ancillary thereto. The head and registered office of Superior LP is located at Suite 2820, 605 – 5th Avenue SW, Calgary, Alberta T2P 3H5.

The Administrator

Superior Plus Administration Inc., which is a wholly-owned subsidiary of the Fund, was incorporated on August 22, 2006 pursuant to the *Canada Business Corporations Act* and acts as the Administrator of the Fund pursuant to the Administration Agreement. The head and registered office of the Administrator is located at Suite 2820, 605 – 5th Avenue SW, Calgary, Alberta T2P 3H5.

The General Partner

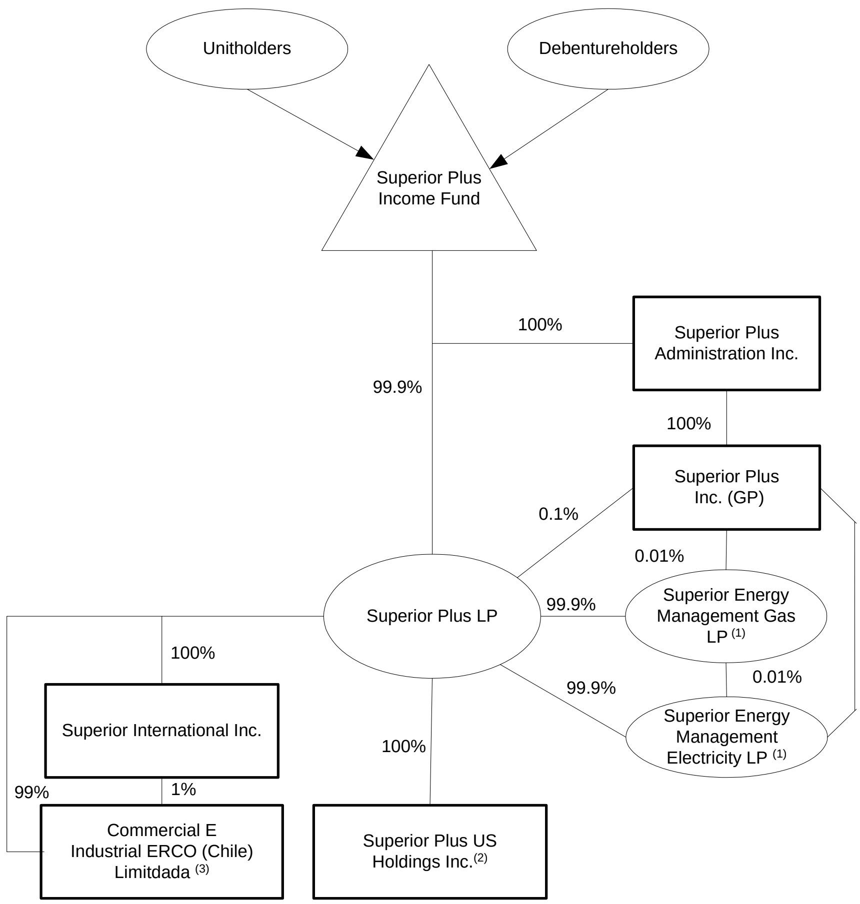
Superior Plus Inc., the general partner of Superior LP, was formed on September 30, 2006 pursuant to the amalgamation of Superior MFC Inc. and Superior General Partner Limited under the *Canada Business Corporations Act* which was completed as part of the Reorganization. The General Partner is a wholly-owned subsidiary of the Administrator. The head and registered office of Superior is located at Suite 2820, 605 – 5 Avenue SW, Calgary, Alberta T2P 3H5.

Inter-Corporate Relationships

The operations of Superior LP are comprised of four businesses:

- the propane distribution business operating under the trade name "Superior Propane";
- the specialty chemicals business, operating under the trade name "ERCO Worldwide";
- the construction products distribution business, operating under the trade name "Winroc"; and
- the fixed-price energy services business, operating under the trade name "Superior Energy Management".

The following is a diagram illustrating the structure of the Fund, Superior LP and their principal subsidiaries as of March 10, 2008.



Notes:

(1) Superior Plus LP and Superior Plus Inc. indirecty own 99.9% and 0.01%, respectively, of Superior Energy Management Gas LP and Superior Energy Management Electricity LP.

(2) Superior Plus US Holdings Inc., a Delaware Corporation, has wholly-owned subsidiaries through which ERCO Worldwide and Winroc conduct operations in the United States.

(3) A corporation incorporated pursuant to the laws of Chile.

(4) Except where otherwise noted,all corporations were incorporated pursuant to the laws of Canada and all limited partnerships have been formed pursuant to the laws of Ontario.

GENERAL DEVELOPMENT OF THE FUND

Three Year History

The Fund's strategy includes adding value to Unitholders by developing and executing sound business strategies in each of Superior LP's businesses while further expanding and diversifying such business operations over time.

On February 2, 2005, Superior Propane closed the acquisition of the business of Foster Energy Corporation ("Foster Energy"), a wholesale marketer of natural gas liquids based in Calgary, Alberta for a purchase price of approximately $25.6 million. Foster Energy operates under the trade name "Superior Gas Liquids" and provides natural gas liquids wholesale marketing services, primarily to small and medium sized propane retailers in the United States and Canada.

On April 11, 2005, Winroc closed the acquisition of Leon's Insulation Inc. and associated entities (collectively, "Leon's Insulation") for $31.7 million on a debt-free basis, subject to certain adjustments. At the time of its acquisition, Leon's Insulation was Ontario's largest distributor of drywall, insulation and associated products.

On April 12, 2005, ERCO Worldwide entered into an agreement to purchase and on June 7, 2005 acquired a chloralkali business located in Port Edwards, Wisconsin for $22.4 million on a debt-free basis. At the time, this business was the second largest producer of potassium products in North America.

On June 14, 2005, the Fund issued $175.0 million aggregate principal amount of 5.75% Debentures for net proceeds of $167.6 million. The proceeds of the public offering were used to reduce indebtedness under Superior's credit facilities, which indebtedness was incurred in connection with four previous business acquisitions and the construction of a sodium chlorate manufacturing plant in Chile.

On October 19, 2005, Superior Plus US Holdings Inc. ("Superior USA"), a wholly owned subsidiary of Superior, completed the acquisition of all of the issued and outstanding shares of JW Aluminum, on a debt free basis, for a purchase price of $405.4 million pursuant to the terms of a stock purchase agreement dated September 29, 2005. This acquisition further diversified Superior's operations into the specialty flat-rolled aluminum industry. In order to partially finance this acquisition, the Fund issued approximately 6.2 million trust units and $75.0 million aggregate principal amount of 5.85% Debentures on October 19, 2005 for net proceeds of approximately $223.2 million.

On March 3, 2006, Superior completed a 10-year, $200.0 million 5.50% senior secured debt issue in the Canadian public bond market. Proceeds were used to repay the JW Aluminum bank acquisition credit facility and other revolving bank debt. On July 10, 2006, the $200.0 million senior secured debt was retired as part of a refinancing undertaken in connection with the strategic plan.

On March 8, 2006, due to challenging business conditions at Superior Propane and ERCO Worldwide, the Fund reduced its monthly cash distribution level from $0.205 per trust unit to $0.185 per trust unit.

On April 24, 2006, the Fund initiated a comprehensive strategic review process designed to maximize Unitholder value and reduced its monthly cash distribution level from $0.185 per trust unit to $0.13 per trust unit commencing with the May, 2006 distribution. The strategic review was commenced due to weak first quarter results of Superior Propane predominantly caused by record warm weather conditions, anticipated weakness in ERCO Worldwide over the medium term, as well as due to the reduction of the Fund's monthly distribution and weakness in the market price of the trust units. A strategic review committee of the board of directors of Superior was formed and financial advisors were retained to assist in the review.

On July 10, 2006, the Fund completed the strategic review process which considered a wide range of alternatives for the Fund, and asserted a new strategy which included:

- continuing as a diversified trust while focusing on stability of distributions with value growth driven by the Fund's existing businesses;
- disposing of the investment in JW Aluminum and using the proceeds to reduce debt levels and focusing on the Canadian based businesses;
- providing enhanced visibility, transparency and accountability of the Fund's businesses to its investors;
- lowering the average senior debt levels to 1.5 to 2.0 times EBITDA and average total debt levels to 2.5 to 3.0 times EBITDA;
- reducing the Fund's target payout ratio to 85% to 90% of distributable cash flow; and
- closing ERCO's Bruderheim, Alberta sodium chlorate facility.

In addition, the board of directors appointed Grant Billing as Chairman and Chief Executive Officer and Wayne Bingham as Executive Vice-President and Chief Financial Officer of the Fund. The Fund also restructured some of the debt of its subsidiaries to provide enhanced debt repayment flexibility and announced its intention to complete the Reorganization.

On September 29, 2006, Superior Plus LP entered into an Assumption Agreement with Superior Plus Inc. whereby Superior Plus LP assumed all liabilities relating to the Note Purchase Agreement, which was originally entered into on October 29, 2003 for a total of US$160,000,000 consisting of US$10,000,000 Series A, 6.13% Senior Secured Notes due October 29, 2013 and US$150,000,000 Series B, 6.62% Senior Secured Notes due October 29, 2015.

On September 30, 2006, the Fund completed the Reorganization from a "trust over corporation" structure to a "trust over partnership" structure. Effective September 30, 2006, the business operations previously carried on by Superior and its related subsidiaries were being conducted by Superior LP and its related subsidiaries. See "General Development of the Fund - The Reorganization".

On October 31, 2006, Federal Finance Minister Jim Flaherty (the "Finance Minister") announced a proposal to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the Unitholders. The Finance Minister said existing trusts would have a four-year transition period and would not be subject to the new rules until 2011, (provided the Fund only experiences "normal growth" and no "undue expansion" before then). On June 22, 2007, Bill C-52 containing these rules received Royal Assent and became law.

On December 7, 2006, Superior Plus US Holdings Inc., a wholly owned subsidiary of Superior, completed the disposition of all of the issued and outstanding shares of JW Aluminum, on a debt free basis, for a purchase price of Cdn $356.1 million pursuant to the terms of a stock purchase agreement dated November 8, 2006 (the "Stock Purchase Agreement") among Superior USA, Palmetto Holdings Inc. (an entity affiliate with Wellspring Capital Management LLC) and JW Aluminum Holding Company. The Stock Purchase Agreement contained customary terms, conditions, representations, warranties and covenants for a transaction of this nature and was subject to receipt of all other necessary approvals which were subsequently obtained or waived. This disposition was a result of the Fund's strategic plan adopted in July, 2006. Proceeds from the sale were used to repay debt.

During 2007, the Fund reorganized the SEM business into two separate operating structures, one to carry on SEM's existing retail gas marketing business and the other to carry on SEM's new retail electricity marketing business in Ontario. Superior Energy Management Gas LP, an Ontario limited partnership indirectly owned by Superior LP and Superior which was formed to carry on the gas marketing business, entered into a 5 year supply agreement with Constellation Energy Commodities Group Inc. for the supply of gas for all new retail contracts and renewals of all existing retail contracts in connection with the reorganization. Superior Energy Management Electricity LP, an Ontario limited partnership indirectly owned by Superior LP and Superior which was formed to carry on the new retail electricity business, entered into a 3 year supply agreement with Bruce Power LP, Ontario's largest independent electricity generator, for the supply of electricity for all retail electricity contracts. This reorganization secured long term supply of the commodities marketed by SEM and structurally separated the business from the remainder of Superior LP's businesses, providing Superior LP with additional financial flexibility. In addition, on May 1, 2007, SEM, through Superior Energy Management Gas LP, entered into the British Columbia residential gas market.

On June 28, 2007, Superior Plus LP and Superior Plus US Holdings Inc. entered into a $535 million syndicated Credit Agreement with the option to expand up to CDN$600 million. The facility is a secured three year revolving term credit facility extendible annually. On October 25, 2007, Superior Plus LP and Superior Plus US Holdings entered into an Amended and Restated Credit Agreement whereby the syndicated credit facility was increased to $595 million.

On August 8, 2007, the Fund announced that ERCO Worldwide would be converting its Port Edwards, Wisconsin chloralkali facility from mercury based technology to membrane technology. The project maintains the facility's ability to produce both sodium and potassium products, provides increased production capacity of approximately 30%, provides a significant extension of the plant life and enhances the efficiency of ERCO's use of electrical energy. The cost of the conversion is estimated to be US$95 million.

On November 5, 2007, the Fund redeemed all the outstanding Series 2 8% extendible convertible unsecured subordinated debentures due November 1, 2008. The aggregate amount of the outstanding debentures was approximately $59,000,000.

The Reorganization

The Reorganization, which was completed on September 30, 2006, was an internal reorganization of the subsidiaries of the Fund and was undertaken to restructure the manner in which the Fund held its interest in its assets. The Reorganization did not include the acquisition of any additional interest in any operating assets or the disposition of any of the Fund's existing interests in operating assets. Immediately following completion of the Reorganization, Unitholders held the same number of trust units and the Fund continued to own, directly and indirectly, the same proportionate interest in its assets that it held immediately prior to the effective time of the Reorganization.

The Reorganization created a "flow-through" structure for Canadian tax purposes which resulted in the activities carried on by Superior being carried on by Superior LP and distributions from the Superior LP being taxed under the *Income Tax Act* (Canada) (the "Tax Act") at the Unitholder level.

In connection with the Reorganization, the Fund received an advanced tax ruling from the Canada Revenue Agency ("CRA") dated August 16, 2006 (as supplemented by letter from the CRA dated August 18, 2006) confirming the anticipated tax consequences of the Reorganization which tax consequences were summarized in the information circular describing the Reorganization.

The results of the Reorganization are as follows:

(a) the Fund directly owns a 99.9% limited partnership interest in Superior LP, which holds the Canadian operating assets, equity in the various operating entities previously owned directly or indirectly by Superior and US$140 million subordinated notes of Superior Plus U.S. Holdings Inc.;

(b) the Declaration of Trust was amended to give effect to the Reorganization, to reflect the different organizational structure of the Fund resulting from the Reorganization, to update certain provisions to reflect current income trust practices and to largely preserve, in modified form, the governance policies and practices in place for the benefit of Unitholders prior to the Reorganization; and

(c) the Administrator was created to administer the Fund pursuant to the Administration Agreement and Superior became the General Partner to carry on the business of the newly formed partnership, Superior LP pursuant to the Partnership Agreement. The boards of directors of the Administrator and the General Partner consist of the same members as the board of directors of Superior immediately prior to the Reorganization. The governance policies and practices of the Fund in place for the benefit of Unitholders prior to the Reorganization, including those of the Audit Committee, the Governance and Nominating Committee and the Compensation Committee of the Fund, were revised to reflect the introduction of separate legal entities acting as administrator of the Fund and general partner of Superior LP, without any derogation in the benefits and protections to Unitholders.

SUPERIOR LP'S OPERATIONS

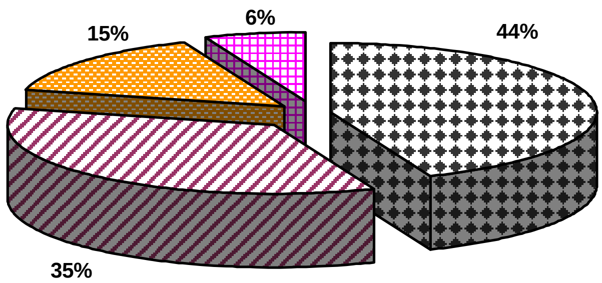
Superior LP strives to generate stable cash flows and distributions and achieve long-term value-based growth driven from its existing Canadian based businesses.

Superior LP through its businesses, is engaged in the distribution and retail marketing of propane, related products and services, and provides natural gas liquids wholesale marketing services; the production and sale of specialty chemicals and related technology; construction products distribution; and the marketing of fixed-price energy services.

Superior LP's corporate office acts as strategic capital manager for the overall portfolio of Superior's assets. As such, the corporate office is focused on strategy execution, capital allocation, risk management and succession planning. The corporate office is comprised of 12 employees including executive management, treasury, tax, financial reporting, business development, business compliance and oversight, investor relations and corporate secretarial functions.

Since operational management is key, there is an experienced and strong management team in place at each business. Management at this level is compensated to maintain and grow the distributable cash flow generated by their business over time.

Superior's operations are composed of four different businesses. The graph below details the composition of the Fund's operating distributable cash flow by business for the 12 month period ended December 31, 2007.



44% **Superior Propane:**
Propane distribution

35% **ERCO Worldwide:**
Specialty chemicals

15% **Winroc:**
Construction products distribution

6% **Superior Energy Management:**
Fixed price energy services

Geographically, for the year ended December 31, 2007, consolidated revenues from customers were derived: 82% from Canada, 15% from United States, and 3% from other countries.

Superior Propane, head-quartered in Calgary, Alberta, began operations in 1951. It is engaged primarily in the distribution and retail sales of propane, refined fuels, propane consuming appliances and related services in Canada. In addition, it provides value-added natural gas liquids wholesale marketing services, primarily to small and medium sized propane retailers in the United States and Canada.

Product

Propane is extracted from natural gas during production and processing and from crude oil during the refining process. As propane is colourless and odourless, an odorant is added to facilitate its detection.

Propane, like natural gas, is a non-toxic clean burning and efficient energy source but unlike natural gas can be compressed at low pressures into liquid form. As a liquid, propane is easily transported by truck or rail and can be stored in propane tanks and cylinders. When the pressure is reduced, the liquid propane becomes a gas which is ignited and burned to create energy for many different uses.

Competitive Conditions

Key competitive factors across Superior Propane include selling prices, service levels, cost efficiencies, logistical capability and competition from other sources of energy.

Superior Propane through its 1,730 employees and 170 operating locations, serves customers from coast to coast across Canada. Superior Propane is Canada's largest national retailer with an estimated 50% of the total estimated propane retail market. Superior Propane competes in a highly fragmented industry with approximately 200 local and regional propane retailers across Canada. Propane distribution is a local, relationship based, business in which Superior Propane competes for market share based on price and level of service.

The retail propane industry in Canada is mature, representing less than 2% of Canada's total energy consumption. Propane competes with other energy sources such as natural gas, fuel oil, electricity and wood for traditional uses, and gasoline and other alternative fuels for transportation uses. In Canada, the cheapest source of heating fuel is predominately natural gas. Where natural gas is available, propane can be used as a portable fuel and a standby fuel for peak period requirements in industrial applications. In areas where natural gas is not available, propane is an alternative due to its portability. Propane is generally less expensive than electricity but more expensive than fuel oil on a heat content basis depending upon regional market conditions. However, the cleanliness, versatility and operating efficiencies of propane make it competitive with fuel oil for heating purposes.

Business Operations

Superior Propane operates in six geographical market regions, which are managed by general managers. The general managers have direct responsibility for several territories including satellite operations, customers, administration and the overall profitability of their geographic business units. Superior Propane's 45 larger territory centres, are typically located in a rural, industrial or commercial setting on two to five acre parcels of land with propane storage tanks, a cylinder dock, surplus land to store a working supply of customer tanks and cylinders, truck parking, warehouse space for rental equipment, appliance, materials and supplies inventories, an office and an appliance show room. These territory locations are supplemented by 125 satellite and storage yards.

The satellite and storage yards are strategically located close to customers to minimize distribution costs and enhance security of supply, particularly during peak winter demand periods when road conditions may be poor and can interrupt efficient distribution. The operating area is generally limited to a radius of 80 to 150 kilometres around branch or satellite locations, depending on the nature of the customer base and local road infrastructure. Under Superior Propane's business structure, each territory maintains a local presence through a territory office. Teams are responsible for managing their local business and pursuing local opportunities. The territory centres are supported by six regional operating centres and three sales and administration centres. The regional operating centres for each market region are located in Moncton, New Brunswick, Ste Catherines, Quebec, Guelph, Ontario, Winnipeg, Manitoba, Calgary, Alberta and Coquitlam, British Columbia. The sales and administration centres are located in Dartmouth, Nova Scotia, Laval, Quebec and Thunder Bay, Ontario. The regional operating centers assist existing customers with fuel orders and service requests. The sales and administration centres assist new customers with opening an account and existing customers with general inquiries, billing inquiries and credit and collection issues. The territory centres are further supported by services provided by Superior Propane's national office including, propane supply and transportation, invoicing, credit and collections, business systems and marketing. Superior Propane operates from and stores product at 116 owned and 87 locations that are leased from third parties under normal course operating leases. See Note 18(i) to the 2007 Annual Consolidated Financial Statements of the Fund.

Superior Propane has historically provided value added services to customers as an integral component of its core propane distribution business. In 2007, Superior Propane started to strategically segregate these service offerings into a separately managed segment. It aims to develop this into a separate profitable segment with an expanded offering of services to customers who buy propane as well as customers who purchase services only. The services provided include the supply, installation and repair of equipment and appliances as well as warranty and preventative maintenance programs for installed equipment and appliances. These services improve Superior Propane's ability to retain customers by providing them with a comprehensive propane supply and maintenance solution.

Distribution of Refined Fuel Products

Superior PetroFuels offers a variety of fuels and lubricants to commercial, industrial, agricultural and residential customers throughout Southwestern Ontario. This business allows Superior Propane to apply its rural energy presence and experience in propane distribution to the fuels and lubricants market.

Natural Gas Liquids Wholesale Marketing

Superior Gas Liquids, which operates within Superior Propane, offers value-added natural gas liquids wholesale marketing services, primarily to small and medium sized propane retailers in the United States and Canada. It provides transportation, storage, risk management, supply and logistics services with annual sales volumes of approximately 2.1 billion litres with over 85 counterparties.

Sales and Marketing

Superior Propane primarily sells propane and related products and services to the residential, commercial, agricultural, industrial and automotive customer markets. Approximately 50% of Superior Propane's sales volumes are related to heating related applications and 50% are related to economic activity levels. However, approximately 80% of Superior Propane's annual cash flows are typically generated in the October to March winter heating season. A detailed analysis of sales volumes and gross profit is provided in the Superior Propane section of the Annual Management's Discussion and Analysis contained in the Fund's 2007 Annual Report.

Residential/Commercial: In these markets, propane is consumed primarily in areas where natural gas is not readily available. It is used for space heating, water and pool heating, cooking, refrigeration, laundry and off grid electrical generation. Consumption in these markets is sensitive to winter weather conditions. In addition, residential consumption is dependent on product costs, while commercial consumption varies with economic activity levels.

Agricultural: In the agricultural market, propane is used for space heating, for brooding and greenhouse operations, grain drying, and tobacco curing and weed control. The agricultural business is extremely competitive, particularly as natural gas availability expands in rural markets. Propane demand for crop drying depends on weather conditions and crop values.

Industrial: Industrial usage includes forklift truck, welding, resale agent, construction and roofing markets, process heating and heat treatment for manufacturing, forestry, mining and fuel for internal combustion engines that drive oil pumpjacks in Western Canada. Industrial demand is generally tied to economic activity levels.

Automotive: In the automotive market, propane is used as a transportation fuel, particularly for public and private fleets and other large volume users. Engine technology has outpaced propane conversion technology, limiting the ability to convert new vehicles to propane. Propane vehicle emissions are low in greenhouse gas emissions and other pollutants that contribute to ground level ozone and respiratory health problems. Auto propane has the potential to make a significant contribution to Canada's greenhouse gas emission performance. However, the demand is expected to continue to decline in the medium term at an estimated rate of 10 to 15 percent per year, although original equipment vehicle manufacturers have re-introduced limited propane vehicle offerings.

Propane Pricing

Pricing to customers is primarily based on a margin above product and transportation costs. There are minor delays that affect retail margins as price changes from producers may not be immediately passed through to customers. When the wholesale price of propane increases, the retail gross margins tend to erode in the short-term as it takes more time to pass on all of the price increases to the customers. Conversely, when wholesale prices decrease, retail gross margins and profitability tend to increase.

Increases or decreases in retail prices can have an immediate and direct impact on competitors and customer demand. Propane margins vary between end-use applications and geographic segments. Customer pricing is managed at the corporate, regional and local market level and reflects local marketplace and alternate fuel cost conditions. Factors contributing to the consumer's buying decision include: reliability of supply, long-term availability, price, fuel quality, convenience, portability, storage requirements, available space, capital cost, equipment efficiency and the supplier's local presence and service reputation in the community.

Supply and Storage

An estimated 11 billion litres of propane are produced in Canada annually of which about 4 billion litres are consumed domestically in the energy and petro-chemical feedstock markets and the balance is exported to the United States. Approximately 85% of the propane produced in Canada is extracted from natural gas during gas processing operations at field plants or at large straddle plants located on the major natural gas trunk line systems. Extraction from crude oil occurring during the refining process accounts for the remaining 15% of propane produced. Superior's retail propane supply is currently purchased from approximately 26 propane producers across Canada. Propane is purchased mainly under annual contracts, negotiated and administered by Superior Gas Liquids, with pricing arrangements based on industry posted prices at the time of delivery. Superior Propane arranges propane supply to be provided at multiple supply points in order to match supply to where the customer demand is located. Some of Superior Propane's supply contracts provide it with the ongoing option to increase or decrease its monthly volume of supply and thereby provide flexibility to meet fluctuating demand requirements. Propane supply from Superior Propane's various suppliers has, historically, been readily available because of the substantial surplus of propane in Canada and the relationship Superior Propane typically enjoys with its principal suppliers.

Superior Propane's supply contract year ends March 31, 2008. Approximately 80% of Superior Propane's annual propane requirement is supplied by the following major suppliers, each of which supplies approximately 10% or more of Superior Propane's annual propane requirement:

- BP Canada Energy Resources Company (The single largest propane producer in Canada, which has supplied Superior Propane for over ten years.)
- Spectra Energy Limited
- Shell Canada Limited
- Keyera Energy Partnership
- Provident Energy Trust
- Ultramar Ltd.

Approximately 20 other producer/suppliers supply the remaining 20% of Superior Propane's annual propane requirement. None of these suppliers individually supply more than 10% of Superior Propane's annual propane requirement. Superior Propane renews its supply contracts annually.

Superior Propane leases approximately 100 million litres of combined underground propane storage capacity in Marysville, Michigan, Mt. Belvieu, Texas, Conway, Kansas, Regina, Saskatchewan and in Fort Saskatchewan, Alberta, primarily to secure supply for its fixed-price customer offerings and to enhance security of supply and distribution capacity in periods of supply disruption and high demand in the winter season. The storage lease agreements expire between March 31, 2008 and March 31, 2012. Superior Propane intends to lease annual storage capacity at Fort Saskatchewan, Regina, Sarnia, Marysville, Conway and Mt. Belvieu to cover its growing regional demands and will only enter into long-term storage contracts if it is economically advantageous to do so. Superior Gas Liquids utilizes approximately 25 propane suppliers as well as numerous short-term storage positions to service its wholesale customers in North America. In order to satisfy customer needs and take advantage of opportunities, Superior Gas Liquids will enter into short term forward purchase sale agreements.

Transportation

Primary Distribution

Primary transportation is the delivery of propane from product supply points to Superior Propane's territory and satellite locations or storage yards and to certain large volume customers. Road cargo liners and pressurized railcars are the two primary transportation modes. The capacities of the cargo liners vary from 35,000 to 65,000 litres per trailer. Railcars carry approximately 115,000 litres per car. Superior Propane's cargo liner requirements are provided by third party carriers.

Approximately 25% of Superior's supply is transported by rail. Superior Propane leases 162 railcars to provide approximately 25% of its rail transportation requirements. Railcar lease agreements typically have a three year term. The remainder is transported in railcars provided by propane suppliers in conjunction with their annual propane supply contract obligations to Superior Propane.

Secondary Distribution
Secondary distribution is the delivery of propane and refined fuels and lubricants from Superior Propane's territory and satellite locations, and storage yards to its customers. Superior Propane operates a fleet of owned and leased trucks to transport the propane, refined fuels and lubricants it sells. Superior has implemented a leasing program to accelerate the renewal of its fleet of bulk trucks in 2007 and 2008. Lease arrangements are available at competitive rates and provide savings in maintenance and operating expenses over time. Newer, more reliable vehicles and a better matching of truck size to delivery type should improve employee productivity, fleet reliability, safety and customer service. Propane is delivered in bulk and in pressurized cylinders. Refined fuels and lubricants are also transported and sold in bulk volumes. Superior Propane employs full-time, part-time and seasonal drivers who assist with deliveries during the peak winter demand periods. It operates 352 pressurized bulk delivery trucks that vary in load capacity from 13,000 litres to 32,000 litres, eight refined fuel and lubricant bulk delivery trucks with load capacities of 10,000 to 25,000 litres and 94 cylinder trucks with boxes that vary in length from 12 feet to 26 feet. It also operates 34 tractors and 34 pressurized trailers, which have capacities ranging from 25,000 litres to 54,000 litres for secondary distribution use. Additionally, it operates 50 crane trucks and 287 service vehicles. At December 31, 2007, 69% of the vehicles described above were owned by Superior Propane while the remaining 31% were leased under operating leases.

Employee and Labour Relations

As at December 31, 2007, Superior Propane had 1530 regular and 200 part-time employees. Approximately 390 of its employees are unionized through provincial or regional certifications in British Columbia/Yukon, Manitoba and Quebec. There are four union agreements, with expiry dates ranging from April 30, 2008 to December 31, 2010. Collective bargaining agreements are renegotiated in the normal course of business.

Environmental, Safety and Regulatory

Superior Propane through its health and safety and environment management system, ensures safety practices and regulatory compliance are an important part of its business. The storage and transfer of propane has limited impact on the environment as there is limited impact to soil or water when propane is released, because it disperses into the atmosphere.

Superior Propane has customer, technical, occupational health and safety and fleet support representatives operating nationally which support its regional and local operations. They are responsible for providing market area personnel with emergency response support services, inspections, advice and training in an effort to ensure that facilities and equipment are maintained and operated safely and in compliance with corporate and regulatory standards. They also provide support to the field operations in the design, construction and inspection of large scale customer installations.

Trademarks, Trade Names and Service Marks

Superior Propane owns all the right, title and interest in the "Superior Propane" ("Superieur" in French) trade name, related design and other trademarks, registered or acquired at various times over the years and relating to specific programs or services provided by Superior Propane or to marketing activities of Superior Propane. Superior Propane's trademarks are significant as they provide it with ownership of the names, designs and logos associated with its business which are recognizable to the public and useful in developing and maintaining brand loyalty. The duration of each of the trademarks is 15 years from the date they were first registered subject to renewals for further 15 year periods.

Financial Information

For selected historical financial information for the past five years, see "Selected Historical Information – Superior Propane".

Capital Expenditures

Capital expenditures for Superior Propane for the past five years were as follows:

	Years ended December 31				
(millions of dollars)	2007	2006	2005	2004	2003
Maintenance capital	4.1	5.2	7.4	7.4	6.5
Proceeds on dispositions[2]	(4.3)	(5.5)	(4.6)	(1.8)	(3.0)
Maintenance capital expenditures, net	(0.2)	(0.3)	2.8	5.6	3.5
Other capital expenditures	0.4	–	27.5 [1]	4.2	0.7
Other capital proceeds	-	–	–	–	(1.0)
Other capital expenditures, net	0.4	–	27.5	4.2	(0.3)
	0.2	(0.3)	30.3	9.8	3.2

(1) The assets of Superior Gas Liquids were acquired on February 2, 2005 for $25.6 million.
(2) Includes sale of surplus properties.

ERCO Worldwide

A division of Superior Plus LP

ERCO Worldwide is a leading provider of specialty chemicals and related technology. The business, which is headquartered in Toronto, Ontario, has been operating since the late 1890s.

Product

ERCO Worldwide is a manufacturer of sodium chlorate, sodium chlorite, chlorine, caustic soda, hydrochloric acid, potassium hydroxide, potassium carbonate and produces hydrogen as a by-product to the electrolysis processes. It owns and operates eight production facilities across North America and one in Chile. In addition, ERCO provides chlorine dioxide generators and related technology to pulp and paper customers worldwide. Chlorine dioxide generators use sodium chlorate as the primary feedstock in the production of chlorine dioxide, an environmentally preferred bleaching agent used in the production of bleached pulp for paper.

Competitive Conditions

Key competitive factors across its business include selling prices; cost efficiencies; product quality; logistical capability; reliability of supply; technical expertise and service.

ERCO Worldwide is the second largest producer of sodium chlorate in North America and third worldwide with an estimated production capacity of 25% and 17%, respectively. The sodium chlorate industry is consolidated with the four largest producers comprising approximately 88% and 78% of estimated North American and global merchant market capacity, respectively.

ERCO Worldwide's patented chlorine dioxide generators and related technology are installed in the majority of pulp and paper mills worldwide. Chlorine dioxide is the basis for elemental chlorine free ("ECF") bleaching. ECF bleaching is considered to be the best available technology for the production of bleached pulp for paper around the world.

In the sodium chlorate business, ERCO Worldwide (17%) competes primarily with three other companies on a worldwide basis with respect to estimated production capacity, Eka Chemicals ("Eka") (29%), Canexus Income Fund ("Canexus") (16%) and Kemira Group ("Kemira") (16%). Only ERCO Worldwide and Eka also provide related chlorine dioxide generators. By providing generator technology and services in addition to chemicals, ERCO Worldwide is able to establish strong, long-term relationships with customers and gains an indepth forward view on market developments.

ERCO Worldwide is the third largest producer of potassium/chloralkali products in North America and has a strong competitive position. In the potassium hydroxide (caustic potash) business, ERCO Worldwide (17%) competes with three other companies in North America based on production capacity, Basic Chemicals (Occidental Chemical) (49%), Olin Corporation (24%) and ASHTA Chemicals Inc. (10%).

Potassium hydroxide is also converted to potassium carbonate and ERCO has an estimated 30% of the North American potassium carbonate production capacity. It competes with one other producer, Armand Products Company, a joint venture between Oxy Chem and Church & Dwight, and a marketer, ASHTA Chemicals Inc.

The five companies that account for approximately 79% of total North American chloralkali production capacity are the Dow Chemical Company (29%), Occidental Chemical Corporation (20%), PPG Industries (12%), Olin Corporation (12%) and Formsa Plastics Corporation (6%). Chlorine production by Dow Chemical Corporation and Formosa Plastics Corporation is integrated into their chlorine derivatives production, and chlorine production from Occidental Chemical Corporation, PPG Industries and Olin Corporation is partially integrated, with all three participating in significant merchant market sales. Most caustic soda production in North America is sold into the merchant domestic and export markets.

ERCO Worldwide is a regional competitor in the chloralkali business in western Canada and the U.S. Midwest. Its total production capacity represents less than 1% of North American chloralkali production capacity.

Business Operations

ERCO Worldwide's operations have become increasingly more diversified with the acquisition of the Port Edwards, Wisconsin chloralkali/potassium facility in June 2005 and the completion of the sodium chlorate plant in Chile in September 2006, reducing its dependency on the North American pulp and paper industry.

For the year ended December 31, 2007, global sodium chlorate, sodium chlorite and technology related sales represented 74% of ERCO's revenue. Chloralkali products in total represented 26% of revenue with potassium products representing 36% of total chloralkali revenue. Geographically, 37% of revenue is derived from customers in Canada, 47% from the United States and 16% from outside North America.

The following chart provides a detailed overview of ERCO Worldwide's business operations:

Product Line	% of 2007 Revenue	Market Structure	Product Fundamentals	Technology Capability	Revenue Diversification	Operating Efficiency
Sodium Chlorate, related chlorine dioxide technology and Sodium Chlorite	74%	Leader in its market	• Mature to declining in North America • Growing globally • Industry operates in excess of 90% capacity utilization	• Leading global installer of chlorine dioxide generators • ERCO "SMARTS" technology enables optimization of customer chlorine dioxide generator process • 199 patents	• 67% Chemical Sales • 7% Technology • More than 50 customers • Largest customer represents 6% of total ERCO Sales	• Competitive cost position in North America • 7 plants and ability to ramp production up or down quickly enables centralized production management and industry leading operational flexibility
Chloralkali: Sodium Products • Caustic Soda • Chlorine • Hydrochloric acid	16%	Leader in regional western Canada and U.S. Midwest markets	• Stable regional demand supported by robust North American pricing environment	• Membrane and mercury grade caustic soda	• More than 100 customers • Largest customer is less than 3% of total ERCO Sales	• Average cost structure, supported by transportation cost advantage in regional markets • Port Edwards product flexibility facilitates profit optimization

Product Line	% of 2007 Revenue	Market Structure	Product Fundamentals	Technology Capability	Revenue Diversification	Operating Efficiency
Chloralkali: Potassium Products • Potassium hydroxide • Potassium carbonate • Chlorine • Hydrochloric acid	10%	Limited number of products in North America	Diversified end-use demand growing 1% to 2% per annum	• Mercury grade quality product capability	• More than 80 customers • Largest customer is less than 3% of total ERCO Sales	• Competitive cost structure and operating flexibility

Production Facilities

ERCO Worldwide's production facilities use simple and safe manufacturing processes and are located close to major rail terminals and reliable supplies of raw materials. Electrical energy costs generally represent 70–85% and salt approximately 10% of the variable costs of producing sodium chlorate. For chloralkali/potassium products, electrical energy generally represents 32% and potash represents approximately 58% of variable costs for producing potassium products.

In response to significant medium-term challenges experienced by the North American pulp and paper industry during 2006, resulting in reduced regional sodium chlorate demand and the impact of high electricity costs and foreign exchange on its operations, ERCO Worldwide closed its higher cost 48,000 metric tonnes ("MT") annual capacity sodium chlorate facility in Thunder Bay, Ontario in April 2006, and its 80,000 MT Bruderheim, Alberta facility in October 2006, thereby improving the utilization of its remaining six sodium chlorate plants in North America with total annual production capacity of approximately 447,000 MT.

Internationally, ERCO Worldwide designed and oversaw construction of a 55,000 MT facility in Chile. The facility commenced production in September 2006, taking advantage of continued growth opportunities in lower pulp and paper cost producing regions of South America. This brings ERCO's total annual sodium chlorate production capacity to approximately 502,000 MT.

ERCO's annual sodium chlorite capacity is 8,600 MT and its annual chloralkali capacity as stated in electrochemical units ("ECUs") is 106,000 MT.

In August 2007, ERCO announced the approval of spending USD$95 million to convert its Port Edwards, Wisconsin potassium chloralkali facility from a mercury based process to membrane technology. The project provides significant improvement in process efficiency and capacity is expected to be increased by approximately 30%. The start-up of the new state of the art technology is projected for the last half of 2009, pending the completion of the permitting process. ERCO is in compliance with existing regulations related to production based on mercury technology.

The chart below provides a summary of ERCO Worldwide's production facilities:

Facility	Product	Production Capacity (MT/Year)	Power Source	Transportation
Buckingham, Quebec	Sodium Chlorate Sodium Chlorite	125,000 3,600	Regulated Hydro Quebec	Rail and truck
North Vancouver, British Columbia	Sodium Chlorate	92,000	Regulated BC Hydro	truck, rail and ocean barges
Grande Prairie, Alberta	Sodium Chlorate	50,000	Deregulated Fixed-price PPA Expiry: Dec, 2017	Rail, truck and pipeline
Saskatoon, Saskatchewan	Sodium Chlorate Chlorine Caustic Soda Hydrochloric acid	40,000 35,000 39,200 dry 22,000 dry	Regulated Sask Hydro	Rail and truck
Hargrave, Manitoba	Sodium Chlorate	40,000	Regulated Manitoba Hydro	Rail
Thunder Bay, Ontario	Sodium Chlorite	5,000	N/A	Rail
Valdosta, Georgia	Sodium Chlorate	100,000	Regulated Georgia Power	Rail
Port Edwards, Wisconsin	Chlorine Caustic Soda Hydrochloric Acid Potassium Hydroxide Potassium Carbonate	71,000 79,400 dry 33,000 dry 75,000 dry 22,700	Regulated Energy Wisconsin Power & Light	Rail and Truck
Mininco, IX Region, Chile	Sodium Chlorate	55,000	Provided by CMPC	Liquids piped to adjacent CMPC mills; some products trucked to customers

Products

Sodium Chlorate

General Overview: Sodium chlorate is an inorganic chemical manufactured through the electrolysis of brine. Sodium chlorate is primarily used to produce chlorine dioxide, an environmental preferred bleaching agent used in the production of bleached pulp for paper. ERCO Worldwide is one of two suppliers in the world to offer patented chlorine dioxide generator technology to the pulp and paper industry as well as the primary raw material (sodium chlorate). Sodium chlorate is an essential ingredient in pulp bleaching and accounts for approximately 5% or less of the cash cost to manufacture bleached pulp. A minor amount of sodium chlorate is also used in the production of agriculture herbicides and defoliants and other industrial applications.

The market for sodium chlorate in North America is estimated at 1.8 million MT and the world market at 3.3 million MT. The demand for sodium chlorate in North America is mature and further growth is expected from developing economic regions of the world, particularly the Asia Pacific and South American regions, as they increase their paper consumption and adopt more stringent environmental standards. North American bleached pulp producers continue to experience global competitive pressures as a result of increased fibre and energy costs and the impact of foreign exchange rates, which resulted in an acceleration of mill closures in 2006, reducing demand for sodium chlorate in North America. Increasingly, new world scale pulp mills locate and/or expand production capacity in off-shore regions with significant access to low cost, renewable wood fibre, relatively stable energy supply and supportive government policies. Given the large size of these projects and the transportation challenges experienced in the South American and Asia Pacific markets, these customers prefer to have sodium chlorate facilities constructed in close proximity to their pulp and paper mills and captive to their requirements. During

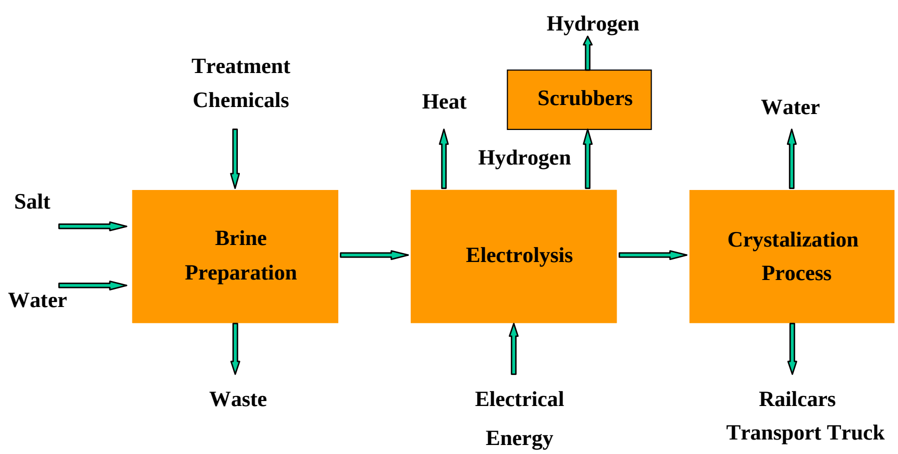
2006, ERCO Worldwide constructed and commenced operations of its 55,000 MT facility in Chile to exclusively supply three existing mills owned by CMPC Celulosa S.A. ("CMPC") over a long-term arrangement. ERCO continues to evaluate similar growth opportunities in these expanding markets.

During 2007, the two North American fibre-lines that had closed in 2006 were restarted during the first quarter. However by the end of the third quarter two different fibre-lines were closed resulting in an overall reduction in demand for sodium chlorate of approximately 13,000 MT/yr. Softwood and hardwood pulp prices continued to increase during 2007 as a result of strong demand and a weakening United States dollar.

***Production Process**:* As electrical energy costs generally represent 70% - 85% of the variable costs of manufacturing sodium chlorate, ERCO's ability to manage its North American customer demand with production from its six geographically diverse sodium chlorate plants facilitates efficient and cost effective supply to its customer base.

An electrochemical process using salt, water and electricity as the primary raw materials, which is summarized in the diagram below, produces sodium chlorate. Salt is dissolved in water and the solution, known as saturated brine, is fed through a series of electrolytic cells used to conduct direct electrical current. The chlorine ions in the brine form chlorine gas. The chlorine gas mixes and reacts further with the brine to form sodium chlorate in solution. The hydrogen atoms separate from the water molecules and form hydrogen gas.

A co-product, hydrogen gas, is produced in the electrolytic cells and is purified. Some of the hydrogen gas is then fed to boilers where it is burned as fuel to produce steam for process heating. The hydrogen gas that is not required for fuel can be vented, sold or used as fuel for other applications.



The sodium chlorate solution produced is treated and filtered to remove impurities and crystallized by removing excess water. Once cooled, the final product resembles a white crystal that is transported to customers by rail car, truck, pipeline or is bagged and shipped to international customers. ERCO Worldwide exports sodium chlorate from its Vancouver, British Columbia production facility.

Chlorine Dioxide Generators

ERCO Worldwide is the largest worldwide supplier of modern chlorine dioxide generators, which convert sodium chlorate into chlorine dioxide. Chlorine dioxide bleaching is recognized worldwide as the best available technology in the production of bleached pulp for paper. These generators, which are sold under the ERCO™ brand name, are designed and engineered for pulp mills to meet their specific needs for size, technology, pulping conditions, desired whiteness and strength of the final bleached product. ERCO Worldwide provides engineering, design, equipment specification, equipment procurement, on-site technical assistance and operator training and plant start-up services. The business, which licenses its technology to its customers, also provides ongoing technical support services and spare parts. Each mill that uses chlorine dioxide as a bleaching agent requires at least one chlorine dioxide generator. Revenues from the sale of chlorine dioxide generators are received as the generators are constructed at customer sites.

The ERCO Smarts™ product provides customers with an advanced automation software package that optimizes the operating efficiency of the chlorine dioxide generator. Nine customers currently use this program, and two other customers are implementing the ERCO Smarts™ package.

Sodium Chlorite

Sodium chlorite is used as a feedstock in the production of chlorine dioxide in smaller scale operations, a disinfectant for municipal water treatment, industrial process applications and as a biocide/disinfectant for food processing and sanitization as well as other industrial applications. The primary feedstock for sodium chlorite is sodium chlorate. ERCO Worldwide currently produces sodium chlorite at its plants located in Buckingham, Quebec and Thunder Bay, Ontario.

Demand for the product has increased significantly in 2007, as new industrial environmental applications have been developed.

Chloralkali Products

ERCO Worldwide's chloralkali operations are located at Saskatoon, Saskatchewan and Port Edwards, Wisconsin. Both of these locations produce caustic soda, chlorine and hydrochloric acid. In addition, Port Edwards produces potassium hydroxide and potassium carbonate.

Chloralkali products provide for an important diversification of ERCO's product lines, as nearly all of ERCO's chlorine, hydrochloric acid, potassium hydroxide and potassium carbonate production are sold to end markets not related to the pulp and paper industry.

Chlorine: The market for chlorine in North America is estimated at 12.5 million MT. Chlorine is used in a variety of chemical processes including the production of polyvinyl chloride "PVC", water treatment disinfection and other chemical businesses. Chlorine is used directly or in bleach form to eliminate water-borne diseases in drinking water. Chlorine is also used to produce hydrochloric acid, which is used in a variety of industrial applications, including application in the oil and gas industry.

The basis of chlorine production involves dissolving salt (either NaCl or KCl) in water, flowing the brine solution between two electrodes and passing an electric current through it. The chlorine ions (negative) move towards the anode (positive) where they are oxidized to form chlorine gas. The water molecule in the brine solution goes through a similar electrolytic reaction, whereby the hydrogen ion (positive) is reduced at the cathode (negative), releasing hydrogen gas, a by-product of the chlor-alkali process. ERCO recovers some hydrogen for sale, to produce hydrochloric acid or to make steam.

The sodium (or potassium) ions that remain from the salt electrolysis then react with the hydroxide ions left from the water to create the sodium (or potassium) hydroxide. Overall the chemical equation (using sodium salt as the example) is:

$$2NaCl + 2H_2O \rightarrow 2\,NaOH + Cl_2 + H_2$$

The basic reaction follows the laws of chemistry and therefore the chemicals are produced in a definite and consistent ratio to one another. Chemical equivalent amounts of the products will always be produced. Specifically, for every ton of chlorine produced with sodium salt, approximately 1.12 tons of caustic soda will be produced. In the case of potassium salt the ratio is approximately 1.56.

ERCO's Saskatoon plant runs exclusively on sodium salt and uses the membrane cell process to produce chlorine and caustic soda. The Port Edwards facility operates mercury cell technology and has the unusual advantage of being able to produce both sodium products and potassium products in varying amounts according to market demand. ERCO installed environmental control equipment to satisfy the federal MACT regulations prior to the December 19, 2007 deadline.

Caustic Soda: The market for caustic soda in North America is estimated at 13.3 million dry MTs. Caustic soda is used primarily in the pulp and paper, soaps and detergents, alumina, textile and petroleum industries as a chemical intermediate.

Potassium Hydroxide: The market for potassium hydroxide in North America is estimated at 550,000 tons. Potassium hydroxide is used primarily in the production of potassium carbonate, potassium phosphates, potassium soaps and other potassium chemicals such as potassium acetate. Generally, potassium hydroxide is used in applications where the potassium element or increased solubility is of value. Potassium acetate is gaining popularity as a deicing agent for airport runways due to environmental pressures to reduce use of glycol or urea based deicers.

Sales and Marketing

ERCO Worldwide chlorate sales are conducted by its business managers who also have technical expertise related to chlorine dioxide generation and pulp bleaching applications. They develop long-term relationships with clients through the provision of technical service and support. ERCO Worldwide sells sodium chlorate directly to pulp and paper mills typically under one to five year supply arrangements, most of which provide for a significant percentage of total mill requirements at market-based prices. Due to the highly technical nature of ERCO's chlorine dioxide generator operations, a coordinated selling approach between its product sales and marketing team and its technical service and engineering groups is employed.

Increasing portions of ERCO's sodium chlorate sales are to the growing South American and Asia/Pacific markets and ERCO has offices in Chile, Japan and China.

Chloralkali products are sold through a combination of dedicated sales people and distributors.

ERCO Worldwide's top ten customers account for approximately 41% of its revenues with its largest customer comprising approximately 6% of its revenues.

Supply Arrangements

ERCO Worldwide uses four primary raw materials to produce its chemical products: electrical energy, sodium chloride, potassium chloride and water. The business has tariff driven long-term contracts or contracts that renew automatically with power producers in each of the jurisdictions in which its plants are located with the exception of the plant in Grande Prairie, Alberta where electricity is publicly traded. In Alberta, 100% of its power requirements are hedged through to 2017 under a power purchase agreement with TransCanada Energy Ltd. See Note 18(iii) to the 2007 Annual Consolidated Financial Statements of the Fund. Also in Georgia, ERCO Worldwide has power arrangements with Georgia Power based on a combination of a standard RTP (Real Time Pricing) and a firm tariff.

The electricity contracts generally provide ERCO Worldwide with some portion of firm power and a portion that may be interrupted by the producer based on the terms of the various agreements. ERCO Worldwide can quickly reduce its power consumption at minimal cost, which in some jurisdictions, allows ERCO to reduce its overall power costs by selling ancillary services back to the power producer or to the power grid.

ERCO Worldwide purchases sodium and potassium salts from six third-party suppliers to fulfill the requirements at six of its eight plants. The salt contracts are typically fixed-price contracts with terms of one or more years, often with automatic renewals. The Hargrave and Saskatoon facilities are self-supplied through solution mining at the plant site.

Potassium Chloride (KCl) is a major raw material used in the production of Potassium Hydroxide ("KOH") at ERCO's Port Edwards Wisconsin facility. 100% of ERCO's KCl is received from PotashCorp ("PCS"). PCS operates two KCl mines that are able to provide the product specifications required by ERCO. There are currently no alternate KCl suppliers available to ERCO. In the event of a KCl supply interruption, ERCO's Port Edwards facility is able to switch production to the sodium molecule from the potassium molecule. The ability to switch between sodium and potassium significantly mitigates the risks associated with a single point of supply for KCl.

Transportation

Approximately 52% of ERCO Worldwide's product transportation requirements are provided by railcar, 30% by transport truck and the remaining 18% by pipeline and ocean vessel. ERCO Worldwide utilizes third party carriers to transport all of its products. Rail transportation requirements are provided by 1,184 railcars, of which 177 are owned and 1,007 are leased with staggered expiration terms through to 2017. ERCO Worldwide generally extends leases in advance of the expiration date.

All of the plants are located close to major rail terminals and customer sites to facilitate delivery of ERCO Worldwide products to the relevant markets.

Employee and Labour Relations

As at December 31, 2007, ERCO Worldwide had 451 fulltime employees of which approximately 115 were unionized. The three plants in Vancouver, Saskatoon and Buckingham are subject to collective bargaining agreements. Saskatoon's agreement was renegotiated in 2007 and expires on September 30, 2010. The Buckingham agreement expires in 2008 and Vancouver in 2009. Collective bargaining agreements are renegotiated in the normal course of business.

Environmental, Safety and Regulatory

ERCO Worldwide's operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous and that are extensively regulated by environmental, health, safety and transportation laws and regulations. ERCO Worldwide is a founding member of Responsible Care®, an initiative of the Canadian Chemical Producers Association and the American Chemistry Council associations that promote the safe and environmentally sound management of chemicals. ERCO has been verified as complying with the Responsible Care® guidelines and ethics for a fourth time, which represents over 12 years of external compliance. ERCO Worldwide continually strives to achieve an environmental and safety record that is "best-in-class" in the chemical industry. It has not had a material environmental or safety incident and has received many awards for its safety and environmental records.

Trademarks, Trade Names and Service Marks

ERCO Worldwide owns all the right, title and interest in the "ERCO Worldwide" ("ERCO Mondial" in French) trade name in Canada, the "ERCO" trademark and related design and certain other trademarks and patents registered or acquired at various times over the years relating to specific technology, products or services that it provides. ERCO Worldwide is also in the process of registering the "ERCO Worldwide" trademark in various other countries. ERCO Worldwide's trademarks are significant as they provide it with ownership of the names, designs and logos associated with its business and technology and are well recognized internationally in the pulp and paper and the water treatment industries. The duration of each of the trademarks is between 10 and 15 years from the date of the first registration, subject to renewals for further 10 to 15 year periods, depending on the country of registration.

Currently, ERCO has over 199 patents (165 patents granted and 34 applications pending) and patent applications worldwide protecting its proprietary chlorine dioxide, sodium chlorate and sodium chlorite technologies. The duration of each patent is between 15 and 20 years from the date the patent was first registered, depending on the country of registration.

Financial Information

For selected historical financial information for ERCO Worldwide for the last five years, see "Selected Historical Information – ERCO Worldwide".

Capital Expenditures

ERCO Worldwide has low and predictable maintenance capital expenditure requirements, averaging $7.7 million annually representing approximately 2% of its average revenue over the past five fiscal years.

Capital expenditures for ERCO Worldwide for the past five years were as follows:

	Years ended December 31				
(millions of dollars)	2007	2006	2005	2004	2003
Maintenance capital expenditures	8.7	7.5	8.1	7.6	6.4
Growth capital expenditures	6.0[(1)]	51.4[(2)]	58.6[(3)]	5.7	130.1[(4)]
	14.7	58.9	66.7	13.3	136.5

Notes:

a. Growth capital expenditures in 2007 totaling $6.0 million were comprised of $2.0 million for the cell replacement program, $1.4 million for the Port Edwards membrane project, $1.3 million for the North Vancouver hydrogen and rectifier project, $1.3 million for the Saskatoon hydrogen recovery and cell replacement program

b. Growth capital expenditures in 2006 totaling $51.4 million were comprised of $41.3 million for the facility in Chile, $5.6 million for the cell replacement program, $1.3 million for Hydrogen development, $0.7 million for new membrane cells, $0.7 million for Port Edwards acquisition capital and $1.8 million for the dissolving facility in Thunder Bay. Improvements in cell design are yielding an approximate 7% increase in electrical efficiency.

c. Growth capital expenditures in 2005 totaling $58.6 million were comprised of $27.5 million for the facility in Chile, $22.4 million to acquire the Port Edwards chloralkali/potassium facility, $7.9 million for the cell replacement program and $0.8 million for a hydrogen utilization project at the Grande Prairie facility.

d. Growth capital expenditures in 2003 include the acquisition of Albchem Holdings Ltd. for $122.8 million which owned the Bruderheim, Alberta and Hargrave, Manitoba sodium chlorate facilities.

a division of Superior Plus LP

Winroc is a distributor of specialty construction products to the walls and ceilings industry in North America. The business, which is headquartered in Calgary, Alberta, began operations in 1971.

Product

Winroc distributes a number of products used in the walls and ceiling construction industry. Sales can generally be grouped into the following product categories:

Product category	% of 2007 sales
Drywall and components	46%
Insulation	19%
Steel framing	13%
Ceilings	11%
Stucco and plaster	6%
Tools, fasteners and miscellaneous	5%

Competitive Conditions

Competitive factors across Winroc's geographically diversified business include selling prices, service quality, ability to source products in periods of tight supply at competitive prices and competition from other gypsum specialty distributors, lumber yards and manufacturers that engage in direct sales.

The walls and ceilings specialty distribution sector is largely fragmented with only a small number of competitors covering numerous states or provinces. The walls and ceilings specialty distribution business is a local, relationship based business in which distributors compete on the basis of price and service. Barriers to entry are relatively low. Winroc positions itself as a productivity partner with the installing contractor, providing value added "stock and scatter" job site service. Winroc's multi-location distribution network, strong local market position and Allroc purchasing operation provide it with purchasing scale, product line breadth and knowledge to support its customers, providing it with an advantage over smaller competitors.

Business Operations

Winroc has been expanding its distribution network by adding Greenfield operating locations and through acquisitions. In October 2007, Winroc acquired certain assets of Inland Building Supplies (1969) Ltd. in Kamloops, B.C., further penetrating the interior region of the British Columbia market. In December, 2007, Winroc relocated its facility in Victoria, British Columbia area, adding to its operations capabilities. Winroc's 42 distribution branches are managed by branch general managers. The general managers have direct responsibility for branch operations, including responsibility for customer relationships, delivery and service, expense management, pricing, and administration comprising the overall profitability of their geographic business units. Winroc's branches are typically located in an industrial or commercial setting. The branches range from smaller warehouse locations to operations on up to five acres of land, complete with office and showroom areas, covered and uncovered storage areas for the products, as well as receiving and shipping space. The operating area is usually limited to a radius of 100 kilometers around branch locations, depending on the nature of the customer base and local road infrastructure. Under Winroc's business structure, its market presence is through a local office with teams responsible for managing their business and pursuing local opportunities.

Of Winroc's 42 operating locations, two facilities are owned and the remaining 40 are leased from third parties under normal course operating leases. See Note 18(i) to the 2007 Annual Consolidated Financial Statements of the Fund.

Sales and Marketing

Winroc enjoys considerable geographic and customer diversification servicing over 8,000 active customers across 42 distribution branches with 33 locations in Western Canada and Ontario, and nine in the Western and Midwestern United States. Winroc's ten largest customers represent approximately 11% of its annual distribution sales. Annual sales revenues for the North American walls and ceilings industry exceed $20 billion. Winroc is estimated to be the largest specialty distributor in Canada and a leading specialty dealer in North America, with an estimated 2% market share. Specialty distributors, such as Winroc, service the builder/renovation contractor market, represent an estimated 50% to 60% of total industry revenues with the remainder sold through big-box home centers and independent lumber yards who service the builder/contractor market as well as the do-it-yourself market.

A detailed analysis of sales volumes and gross profit is provided in the Annual Management's Discussion and Analysis contained in the Fund's 2007 Annual Report.

Demand Profile

Demand for walls and ceilings building materials is affected by changes in general and local economic factors, including demographic trends, level of activity in the residential and non-residential construction markets, interest rates, employment levels, consumer confidence, availability of financing and overall economic growth. These factors impact the level of existing housing sales, new home construction, new non-residential construction and office/commercial space turnover.

Housing starts reflect the level of new residential construction activity. The level of new commercial construction activity has historically lagged new residential activity as commercial infrastructure is put in place to service residential development. Renovation activity trends have historically followed existing home re-sales and turnover of occupants in commercial building space. 50% of Winroc's sales are estimated to be to the commercial new construction and commercial renovation segments and 50% of sales are estimated to be to residential new construction and renovation segments. Winroc sells its full product line to commercial customers. Gypsum board and accessories, insulation and plaster products are the primary products sold to residential construction customers.

Winroc's sales are modestly seasonal, with 53% of revenues typically generated during the second and third quarters. Geographically, 69% of revenue is derived from customers in Canada and 31% from the United States.

Product Pricing

Pricing to customers is primarily based on a margin above product and delivery costs. There are delays from time to time that affect margins when price changes from manufacturers cannot be immediately passed through to customers. Under certain market conditions, when the wholesale price of products increases, gross margins tend to erode in the short term as it takes more time to pass the price increases through to the customers. Conversely, when wholesale prices decrease, gross margins and profitability tend to increase in the short-term.

Product gross margins vary between products and geographic areas. Customer pricing is managed at both the regional and local market level and reflects local marketplace supply and demand conditions.

Supply Arrangements

Product purchasing is a critical component of Winroc's business, as the cost of products, product knowledge and the ability to source products in periods of tight supply are key to Winroc's service position, profitability and ability to differentiate its service to its customers. Winroc's purchasing operations are conducted, centrally, through its Allroc division. Allroc also provides third party purchasing services for 10 other independent companies, allowing Winroc to further leverage its purchasing power. Winroc purchases products from over 128 different suppliers, of which the top ten provide 76% of Winroc's total supply requirements. Winroc is not reliant on any one supplier to source product within its principal product lines.

Winroc purchases its products pursuant to various purchasing programs and does not enter into long-term purchasing contracts.

Transportation

Winroc's suppliers are typically responsible for arranging transportation of products from the manufacturing facility to Winroc's operating locations. Deliveries are primarily made through either common road carrier or by rail.

Winroc owns and leases a fleet of trucks and forklifts to handle product in its branch locations and transport product from its 42 branch locations to customer job sites. Winroc employs full-time, part-time and seasonal drivers and stockers who deliver products. As at December 31, 2007, Winroc owned and leased; 273 trucks that vary in load capacity from 2,000 to 43,000 kg and 116 trailers that are all used as the primary delivery vehicles. In addition, Winroc owned and leased 203 forklifts, which are used at its warehouse locations and customer job sites to load and unload product from delivery vehicles.

Employee and Labour Relations

As at December 31, 2007, Winroc had 935 employees, of which 320 were salaried and 615 were hourly employees. Approximately 103 of its employees are unionized through collective bargaining agreements at six of its operating locations, with expiry dates ranging from March 2008 to March 2011. Collective bargaining agreements are renegotiated in the normal course of business.

Environmental, Safety and Regulatory

Distribution of walls and ceilings construction products is a physically challenging job. Winroc is committed to a safe workplace and maintains safe working practices through proper procedures and direction and utilization of equipment such as forklift trucks, cranes and carts. Winroc handles and stores a variety of construction materials and maintains appropriate materials handling compliance programs.

Winroc participates in a number of environmental programs with its suppliers, including return/recycling of supply materials and return recycling of ceiling products removed from renovation jobs by Winroc's customers.

Trademarks, Trade Names and Service Marks

Winroc owns all the right, title and interest in the "Winroc", “Allroc”, “Interior Building Supplies” “Inland Buildings Supplies”, (“IBS”) and “Leon’s Insulation” trade names, related design and certain other trademarks, registered or acquired at various times over the years and relating to specific programs or services provided by Winroc.

Winroc’s trademarks are significant as they provide it with ownership of the names, designs and logos associated with its business, which are recognizable to the public and useful in developing and maintaining brand loyalty. The duration of each of the trademarks is 15 years from the date they were first registered subject to renewals for further 15-year periods.

Financial Information

For selected historical financial information for the past five years see “Selected Financial Information – Winroc”.

Capital Expenditures

Capital expenditures for Winroc for the past five years were as follows:

	Years ended December 31				
(millions of dollars)	2007	2006	2005	2004(1)	2003(1)
Maintenance capital	1.1	6.7	5.7	7.1	6.1
Proceeds on dispositions	(0.5)	(0.1)	(0.1)	(0.2)	(0.3)
Maintenance capital expenditures, net	0.6	6.6	5.6	6.9	5.8
Other capital expenditures	5.2(2)	1.6	31.7	12.2	–
Other capital proceeds	-	–	0.2	–	(1.1)
Other capital expenditures, net	5.2	1.6	31.9	12.2	(1.1)
	5.8	8.2	37.5	19.1	4.7

Notes:

(1) Winroc was acquired effective June 11, 2004. Prior years results are unaudited and provided for comparison purposes.

(2) Acquisition of certain assets of Inland Building Supplies on October 29, 2007 and Kenroc Drywall Supplies Inc. on July 2, 2007.

Superior Energy Management ("SEM"), headquartered in Mississauga, Ontario, began operations in June of 2002. SEM started providing natural gas retailing services under fixed-price, term contracts, predominantly to residential and to mid-sized commercial and industrial customers in Ontario. In Quebec, SEM has been servicing the commercial and light industrial market in the Gaz Metropolitain franchise region. In May of 2007, SEM initiated selling fixed-price natural gas retail contracts in the newly opened British Columbia market. In August of 2007, SEM also initiated selling fixed-price electricity contracts in Ontario.

Competitive Conditions

Key competitive factors across its business include commodity prices; sales channel activity; product diversification; cost efficiencies; and service.

SEM has been in the Ontario natural gas market since its inception in 2002. SEM has had a strong commericial and industrial base during this period and over the last couple of years SEM has been focusing on the higher margin residential business.

During 2007, SEM expanded its market with the entry into the Ontario electricity market and the newly opened British Columbia natural gas market. By entering these markets, SEM has been able to add geographic and product diversification.

Natural Gas

The natural gas market in Ontario has been deregulated since 1986 and since January 2004 in Quebec for commercial and light industrial customers who consume greater than 280 gigajoules per year. Consumers are able to choose their natural gas supplier and can elect between various prices and terms. The market of supplying gas to customers is competitive, with a number of companies supplying different market sectors. The residential sector in Ontario has approximately 12 active market suppliers, while commercial and industrial consumers have approximately 10 active market suppliers in Ontario and four in Quebec. Each competitor offers different options relating to price, term and related services. Under deregulation, consumers also have the option of having their gas supply provided by their utility company at a variable price that is adjusted on a quarterly basis and is subject to retroactive adjustments. Approximately 60% of natural gas consumers in Ontario and 95% in Quebec are still supplied by utilities, providing SEM with opportunities for customer growth. As of December 31, 2007, the Quebec residential market was not open for natural gas retailing.

On April 13th, 2006, Terasen Gas filed an application requesting approval for necessary Tariff Agreement changes required to support a residential choice program. Teresen Gas is the largest natural gas distribution utility in British Columbia, providing service to approximately 800,000 customers in the province including the Inland, Columbia and Lower Mainland service areas. Their service territory delivers gas to over eighty percent of natural gas customers in British Columbia. The British Columbia Utilities Commission ("BCUC") approved the program allowing marketers to enroll customers as of May 2007, with gas flowing to enrolled customers starting November 1, 2007. SEM commenced marketing natural gas contracts in British Columbia at market open and began to service these customers with

physical supply in November, 2007. The British Columbia model is in many ways identical to the Ontario model in terms of delivery, billing and receivables. As delivery obligations are sourced from Alberta, mirroring Ontario, SEM uses its in house capability to manage commodity obligations. Management believes approximately 65,000 customers are enrolled in the choice program, with 15 registered market participants, which provides for continued opportunity. As in Ontario, under deregulation, consumers also have the option of having their gas supply provided by the local utility company at a variable price that is adjusted on a quarterly basis and is subject to retroactive adjustments.
Natural gas competes favourably with other fuel sources, such as oil, electricity and propane. Natural gas enjoys both environmental and price advantages over other fuel options. However, since gas is delivered through pipeline systems, its availability is constrained by distribution system infrastructure.

Electricity

Ontario opened its electricity markets in April of 2002 however a government sponsored rate freeze was implemented in the fall of 2002 essentially suspending retail opportunities until 2005. This price freeze was lifted in 2005 once again exposing consumers to price volatility and price increases which afforded retailers the opportunity to promote fixed price products. SEM finalized a strategic alliance with Bruce Power in July of 2007 and commenced marketing fixed-price electricity contracts in Ontario in August 2007. There are currently ten marketers in the Ontario electricity market. There are approximately 4,000,000 meters available for choice in the Ontario market and management believes approximately 635,000 meters are enrolled in long term electricity contracts with a retailer.

Business Operations

SEM provides fixed-price natural gas solutions for contract terms up to five years. In order to capture a fixed selling margin for the term of the customer contract, a fixed-price natural gas supply matching the volume and term of the customer obligation is contracted with various producers and financial counterparties. The local distribution companies (the "LDC's") are required to provide SEM with transportation, storage and distribution services to SEM's customers as well as billing and collection services.

SEM expanded into the British Columbia natural gas market as of May 2007. The newly regulated British Columbia residential natural gas market is estimated to have 800,000 customers.

In 2007, SEM entered into a long term natural gas supply agreement with Constellation Energy Commodities Group, Inc. ("Constellation"). Under the terms of the agreement, Constellation will supply natural gas to support SEM's fixed-priced natural gas marketing business. The deal is structured with an initial term of five years and may renew annually thereafter. During the term of the agreement, SEM will purchase natural gas from Constellation for customer contracts of terms up to five years.

SEM entered the residential and small commercial electricity market in Ontario in August 2007. The Ontario electricity market is estimated to have approximately 4.0 million residential electricity customers and a much lower market penetration relative to the residential natural gas market in Ontario. In June 2007, SEM entered into a long term electricity supply agreement with Bruce Power LP ("BPLP"). BPLP agreed to provide fixed-price electricity to SEM in order to fix prices for residential and small commercial customers for terms up to five years. During the term of the agreement, SEM will purchase supply from BPLP for customer contract terms of up to five years to which BPLP will continue to supply beyond the contract term to match the customer contracts.

Sales and Marketing

For the year-ended December 31, 2007, SEM supplied approximately 36.5 million Gigajoules of natural gas to approximately 81,300[(1)] (2006 – 85,900[(1)]) residential and 6,400[(1)] (2006 – 6,700) commercial flowing customers under term, fixed-price contracts in Ontario and Quebec. In addition SEM also supplied 0.3 million Gigajoules of natural gas to 13,100 residential and 60 commercial customers in British Columbia since November 2007. SEM markets its gas supply service to consumers throughout Ontario, Quebec and British Columbia through an internal sales force and through independent sales agencies, primarily on a door-to-door basis. Commercial sales channels are also through a combination of internal and external sales forces, SEM continues to leverage off its current strong commercial base as it strives to further develop commercial sales channels. Customer contracts are registered with and administered by the LDC. The gas supply contracts have terms typically ranging from one to five years and are at a fixed-price. At December 31, 2007, the average remaining customer contract life was 37 months.

In August, 2007, SEM commenced selling electricity in Ontario and end the year with 1,630 flowing electricity customers.

A detailed analysis of sales volumes and gross profit is provided in the Management's Discussion and Analysis contained in the Fund's 2007 Annual Report.

Notes:
(1) In 2007, SEM restated customer numbers for a decrease of approximately 6,200 natural gas residential customers identified through utility reconciliations.

Supply and Transportation

During 2007, SEM had eight financial and physical natural gas suppliers and contracts for natural gas for fixed term and price to match contractual customer requirements. SEM's largest supplier represented 30% of its supply commitments at December 31, 2007. SEM's supply commitments for the next five years as at December 31, 2007, are detailed in notes to the Fund's 2007 Annual Consolidated Financial Statements. The financial condition of each counter party is evaluated and credit limits are established to reduce SEM's exposure to the credit risk of non-performance. At the end of 2007, SEM entered into a long term supply agreement with Constellation. Under the terms of the agreement, Constellation will supply natural gas to all new natural gas customers in the Canadian markets which are billed through the utility, supporting SEM's fixed-priced natural gas marketing business. The deal with Constellation is structured with an initial term of five years and may renew annually thereafter. During the term of the agreement, SEM will purchase natural gas from Constellation for customer contracts of terms up to five years. The agreement with Constellation provides increased physical and financial capacity for SEM's energy marketing services business.

Although customers purchase their gas supply through SEM, LDC's such as Union Energy, Enbridge Gas, Terasen Gas and Gaz Metropolitan are required on a regulated basis to distribute the gas to SEM's customers. LDC's are also required to assign SEM pipeline transportation and storage capability sufficient to service its customers under contract.

Employee and Labour Relations

As at December 31, 2007, SEM had 54 full time and two part time and 10 temporary employees. Approximately four independent contract sales agencies were engaged at December 31, 2007 in the door-to-door marketing of natural gas contracts.

Environmental, Safety and Regulatory

SEM supplies natural gas to end-use customers. The natural gas is transported through pipeline systems by pipeline and utility companies. These pipeline and utility companies are regulated by the National Energy Board, the Ontario Energy Board, and the Régie du L'Enegie and are required to maintain environmental and safety standards.

Effective June 2007, the Ontario Energy Board implemented customer portability rules in the Ontario natural gas market. The new regulation referred to as Gas Distribution Access Rules ("GDAR") has allowed utilities to enroll customers with a natural gas marketer regardless if they are already on a contract with an different natural gas marketer. This can create customer enrollment issues, whereby customers have been enrolled with a new natural gas marketer without completing their contractual obligation with their original natural gas marketer, leaving the customer financially obligated to both retailers. In most cases, the customer is faced with early cancellation fees by the natural gas marketer it wishes to leave.

Trademarks, Trade Names and Service Marks

SEM owns all the right, title and interest in the "Superior Energy Management" trade name and related design. SEM's trademarks are significant as they provide it with ownership of the names, designs and logos associated with its business which are recognizable to the public and useful in developing and maintaining brand loyalty. The duration of each of the trademarks is 15 years from the date they were first registered subject to renewals for further 15-year periods.

Financial Information

For selected historical financial information for the past five years, see "Selected Financial Information – Superior Energy Management".

SELECTED HISTORICAL INFORMATION

SUPERIOR PROPANE

	Years Ended December 31				
(millions of dollars except litres of propane and per litre amounts)	**2007**	2006	2005	2004	2003
Litres of propane sold (millions)	**1,429**	1,386	1,468	1,546	1,625
Total sales margin (cents per litre)	**20.6**	19.7	19.4	18.6	17.9
Revenues	**1,075.7**	985.4	856.2	720.2	727.1
Cost of products sold	**781.5**	712.5	571.8	433.5	436.5
Gross profit (1)	**294.2**	272.9	284.4	286.7	290.6
Cash operating, administrative and tax costs	**194.8**	182.6	187.4	175.1	178.4
Cash generated from operations before changes in net working capital	**99.4**	90.3	97.0	111.6	112.2

(1) Includes gross profit from other service revenues.

ERCO WORLDWIDE

(millions of dollars except thousands of metric tonnes ("MT") and per MT amounts)	Years Ended December 31				
	2007	2006	2005	2004	2003
Total chemical sales (MT)	**768**	756	742	649	574
Average chemical selling price (dollars per MT)	**558**	540	550	571	573
Revenues	**460.6**	437.2	431.6	396.0	356.3
Cost of products sold	**252.9**	233.1	224.7	202.8	183.3
Gross profit	**207.7**	204.1	206.9	193.2	173.0
Cash operating, administrative and tax costs	**119.7**	120.9	105.7	94.3	89.2
Cash generated from operations before changes in net working capital	**88.0**	83.2	101.2	98.9	83.8

WINROC

(millions of dollars)	Years Ended December 31				
	2007	2006	2005	2004 (1)	2003 (1)
Revenues	**512.3**	518.7	486.6	384.3	310.9
Cost of products sold	**382.5**	386.5	368.8	300.0	245.6
Gross profit	**129.8**	132.2	117.8	84.3	65.3
Cash operating, administrative and tax costs	**94.6**	91.0	82.0	56.4	47.4
Cash generated from operations before changes in net working capital	**35.2**	41.2	35.8	27.9	17.9

(1) Winroc was acquired effective June 11, 2004. Prior year results are unaudited and provided for comparison purposes.

SUPERIOR ENERGY MANAGEMENT

(millions of dollars except per gigajoule ("GJ") and per GJ amounts)	Years Ended December 31				
	2007	2006	2005	2004	2003
Natural gas sold (millions of GJs)	**37**	40	37	28	21
Natural gas sales margin (cents per GJ)	**81.3**	54.3	39.2	47.7	38.8
Revenues	**320.4**	325.6	288.4	211.3	152.2
Cost of products sold	**290.3**	303.9	273.9	197.9	144.1
Gross profit	**30.1**	21.7	14.5	13.4	8.1
Cash operating, administrative and selling costs	**18.0**	11.4	9.2	5.7	3.6
Cash generated from operations before changes in net working capital	**12.1**	10.3	5.3	7.7	4.5

CONSOLIDATED FINANCIALS

(millions of dollars except average number of trust Units and per trust unit amounts)	Years Ended December 31				
	2007	2006	2005	2004	2003
Revenues	**2,355.4**	2,264.3	2,059.2 (1)	1,552.8	1,234.3
Gross profit	**661.8**	630.9	623.6 (1)	542.8	471.7
Operating distributable cash flow	**225.6**	250.1	231.4	219.4	190.6
Distributable cash flow	**170.4**	180.4	187.0	184.4	146.5
Per trust unit	**$1.97**	$2.11	$2.35	$2.54	$2.47
Average number of trust units outstanding (millions)	**86.5**	85.5	79.7	72.7	59.4
Growth capital	**8.8**	53.0	509.5 (1)	126.3	129.8
Total assets	**1,542.8**	1,536.9	2,373.6	1,579.7	1,475.3
Total revolving term bank credit and term loans (2)	**438.0**	441.7	744.7	546.2	417.8

(1) Adjusted for discontinued operations

(2) Includes accounts receivable securitization program.

CAPITAL STRUCTURE

The following is a summary of the material attributes and characteristics of the securities of the Fund, including the trust units, special voting rights, Debentures and warrants.

Trust Units and Declaration of Trust

The authorized capital of the Fund includes an unlimited number of trust units which may be issued pursuant to the Declaration of Trust. As at the date hereof, approximately 88.1 million trust units are issued and outstanding. The holders of trust units are entitled to vote at all meetings of Unitholders on the basis of one vote per trust unit. Holders of trust units are entitled to elect the directors of the General Partner and the Administrator and appoint the auditors of the Fund and the General Partner at each annual meeting of the Fund. Each trust unit is transferable and represents an equal fractional undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. Currently, the Fund makes monthly cash distributions to its Unitholders. All trust units are of the same class with equal rights and privileges. Trust units are not subject to future calls or assessments. The Fund may create and issue additional trust units, rights, warrants, options or other securities to purchase, convert into or exchange into trust units, including without limitation, installment receipts or similar securities, debentures, notes or other evidences of indebtedness from time to time on terms and conditions acceptable to the board of directors of the Administrator.

Trust units are redeemable at any time at the option of the holder upon delivery to the Fund of the certificate or certificates representing such trust units accompanied by a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request, the holder is entitled to receive a price per trust unit (the "Redemption Price") equal to the lesser of: i) 90% of the "market price" of the trust units on the principal market on which the trust units are quoted for trading during the 10 trading day period commencing immediately after the date on which the trust units are surrendered for redemption; and ii) the "closing market price" on the principal market on which the trust units are quoted for trading on the date the trust units are surrendered for redemption. For the purposes of the Declaration of Trust "market price" generally means the amount equal to the simple average of closing prices of the trust units on the Toronto Stock Exchange for each of the trading days on which there was a closing price and "closing market price" generally means the closing price of the trust units on the Toronto Stock Exchange if there was a trade on that date.

The aggregate redemption price payable by the Fund in respect of any trust units surrendered for redemption in any calendar month shall be satisfied by way of cash payment on the last day of the following month. Holders of trust units are not entitled to cash on redemption if the total amount payable in the month by the Fund pursuant to redemptions exceeds $100,000, provided that Superior may waive such limitation in respect of a particular month. If the value of redemptions exceeds $100,000 the Fund shall satisfy its obligation to pay the Redemption Price by issuing unsecured promissory notes to the Holders having a maturity date to be determined by the board of directors of the Administrator (not to be longer than five years from the date of issue) bearing interest at the prime rate of interest of a Canadian Chartered bank determined at the time of issuance by the board of directors of the Administrator, payable for each month during the term on the 15th day of each subsequent month with all principal due on maturity.

Although the redemption right described above is available to Unitholders, the primary mechanism for Unitholders to dispose of their investment in the Fund is the sale of trust units. The promissory notes which may be distributed to Unitholders in connection with a redemption will not be listed on any stock exchange and such promissory notes may be subject to resale restrictions under applicable securities law.

The Declaration of Trust restricts the Trustee from implementing any of the following fundamental changes without first obtaining approval of 66 2/3% of the Unitholders that vote on a resolution approving such action: i) a sale, lease or disposition of all or substantially all of the assets of the Fund (other than in conjunction with an internal reorganization or certain security arrangements), ii) the winding-up, liquidation or dissolution of the General Partner, Superior LP or the Administrator prior to the end of the term of the Fund (other than in conjunction with an internal reorganization) iii) any amendment to the Partnership Agreement, the constating documents of the General Partner or the Administrator which may materially prejudice the rights of Unitholders, iv) the sale, lease or disposition of any securities of the General Partner, Superior LP or the Administrator (other than in conjunction with an internal reorganization or certain security arrangements) or v) termination of the Administration Agreement.

The Declaration of Trust further restricts the trustee from voting the Fund's interests in Superior LP or the Administrator, without first obtaining approval of 66 2/3% of the Unitholders that vote on a resolution approving such action, to authorize any merger, amalgamation, arrangement, reorganization, recapitalization, business combination or similar transaction involving the General Partner, Superior LP or the Administrator (other than in conjunction with an internal reorganization).

The Declaration of Trust restricts the trustee from voting the Fund's interest in the securities of the Administrator, without first obtaining approval of a majority of the Unitholders that vote on a resolution approving such action, to elect or remove directors of the Administrator. It also restricts the Administrator from voting the securities of the General Partner, without first obtaining approval of a majority of the Unitholders that vote on a resolution approving such action, to elect or remove directors of the General Partner. It also provides that the Trustee and the Administrator will vote the securities of the Administrator held by the Fund and the securities of the General Partner held by the Administrator with regard to the appointment of the auditors of such entities to ensure they are the same auditors selected by the Unitholders to be the auditors of the Fund.

Finally, the Trustee cannot, without the approval of the board of directors of the Administrator: i) sell, transfer or otherwise dispose of securities issued by the General Partner, Superior LP or the Administrator ii) issue any securities of the Fund; iii) acquire or invest in securities of other entities, including bodies corporate, partnerships or trusts; iv) borrow funds or incur other indebtedness; or v) dispose of any of the assets of the Fund.

The Declaration of Trust provides that at no time may more than one half of the outstanding trust units be held by non-residents of Canada or Non-Canadian Partnerships (collectively "non-residents"), each within the meaning of the Tax Act nor shall the Fund be maintained primarily for the benefit of non-residents. To monitor compliance with this requirement, the Administrator may at any time and from time to time, in its sole discretion, require the Trustee to obtain declarations as to beneficial ownership, perform residency searches and take such other steps to determine or estimate as best as possible the residence of the beneficial holders of trust units.

The Fund takes certain steps annually to estimate its level of foreign ownership. The Fund's current foreign ownership levels are estimated to be significantly lower than 49%. Should the Administrator become aware that the beneficial owners of 49% or more of the trust units are or may be non-residents or that such a situation is imminent and the board of directors of the Administrator determines, in its sole discretion, acting upon the advice of counsel, that such steps are necessary for the Fund to maintain its status as a "mutual fund trust" under the Tax Act, or that it is otherwise in the interest of the Fund, the Administrator may require the Trustee to refuse to accept a subscription for trust units or register a transfer of trust units unless the person to receive such trust units provides a declaration that they are not a non-resident or take such other action as the board of directors of the Administrator determines is appropriate in the circumstances. If the Administrator determines that a majority of trust units are beneficially owned by non-residents and the board of directors of the Administrator determines, in its sole discretion, acting upon the advice of counsel, that such steps are necessary for the Fund to maintain its status as a mutual fund trust under the Tax Act, or that it is otherwise in the interest of the Fund, the Administrator may require the Trustee to send a notice to registered holders of trust units which are beneficially owned by non-residents, chosen in inverse order to the order of acquisition or registration (or in such other manner as the Administrator may consider equitable and practicable), requiring them to sell their trust units or a portion thereof within a period of not less than 60 days. If such Unitholders do not sell the indicated trust units or do not provide satisfactory evidence that trust units are not beneficially owned by non-residents, the Administrator may require the Trustee, on behalf of such registered holder(s) to sell such trust units, and in the interim, suspend the voting and distribution rights attached to such trust units. Non-residents are not entitled to vote on any resolution to amend these restrictions contained in the Declaration of Trust.

The Declaration of Trust also provides that if an offer is made for trust units which is a take-over bid for trust units within the meaning of the *Securities Act* (Alberta) and not less than 90% of the trust units (other than trust units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the trust units held by the holders of trust units who did not accept the offer on the terms offered by the offeror.

The Declaration of Trust also provides for, among other things, the calling of meetings of Unitholders, the conduct of business thereat, notice provisions, the appointment and removal of the Trustee of the Fund and the form of trust unit certificates. The Declaration of Trust provides that no Unitholder shall be personally liable to any person in connection with the Fund and the activities of the Fund and all claims against the Fund shall be satisfied out of the assets of the Fund. See "Material Contracts"

Debentures

The Fund has two separate series of Debentures issued pursuant to a trust indenture between the Fund and Computershare, as trustee (the "Debenture Trustee") dated June 14, 2005 which was amended by a supplemental indenture dated October 19, 2005 (collectively, the "Indenture"). The 5.75% Debentures and the 5.85% Debentures (collectively, the "Outstanding Debentures") were issued pursuant to the Indenture. The Fund can issue additional Debentures under the Indenture from time to time.

The Fund also has a trust indenture between the Fund and the Debenture Trustee dated March 7, 2001, which was amended by a supplemental indenture dated December 17, 2002. The Series 1 8% Debentures and Series 2 8% Debentures were issued pursuant to this indenture.

The Series 1 8% Debentures matured on July 31, 2007. At that time, there were approximately $8.1 million aggregate principal amount of Series 1 8% Debentures issued and outstanding. The Series 1 8% Debentures were fully registered, issuable in denominations of $1,000 principal amount and bore interest at a rate of 8% per annum, which was payable semi-annually in arrears on January 31 and July 31 in each year. The Series 1 8% Debentures were convertible at the holder's option into fully paid and non-assessable trust units of the Fund at any time prior to the close of business on July 31, 2007 at a conversion price of $16.00 per trust unit.

In accordance with the indenture governing the Series 1 and Series 2 8% Debentures, the Series 2 8% Debentures were redeemed on November 5, 2007 at the redemption price, which was equal to the outstanding principal amount of the Series 2 8% Debentures, together with all accrued and unpaid interest thereon up to November 5, 2007, being $1,000.8768 per $1,000 principal amount of Debentures. The Debentures ceased to bear interest from and after November 5, 2007. The aggregate amount of outstanding Series 2 8% Debentures at that time was $59.2 million.

The Series 2 8% Debentures were issuable in denominations of $1,000 principal amount and bore interest at a rate of 8% per annum, which was payable semi-annually in arrears on May 1 and November 1 in each year. Prior to the redemption, the Series 2 8% Debentures were due to mature on November 1, 2008. Under the terms of the indenture, the Series 2 8% Debentures were convertible at the holder's option into fully paid and non-assessable trust units of the Fund at any time prior to the close of business on November 1, 2008 and the business day immediately prior to a date specified by the Fund for redemption of the Series 2 8% Debentures at a conversion price of $20.00 per trust unit.

5.75% Debentures

Currently there are approximately $174.9 million aggregate principal amount of 5.75% Debentures issued and outstanding. The 5.75% Debentures are issuable in denominations of $1,000 principal amount and bear interest at a rate of 5.75% per annum, which is payable semi-annually in arrears on June 30 and December 31 of each year. The 5.75% Debentures are convertible at the holder's option into fully paid and non-assessable trust units of the Fund at any time prior to the close of business on December 31, 2012 and the business day immediately prior to a date specified by the Fund for redemption of the 5.75% Debentures at a conversion price of $36.00 per trust unit.

The 5.75% Debentures are not redeemable by the Fund before July 1, 2008. On or after July 1, 2008 and prior to July 1, 2010, the 5.75% Debentures are redeemable in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days notice at a price equal to the principal amount thereof plus accrued and unpaid interest provided the current market price on the day preceding the notice of redemption is at least 125% of the conversion price. On or after July 1, 2010, the 5.75% Debentures are redeemable prior to maturity in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest.

5.85% Debentures

Currently there are approximately $75.0 million aggregate principal amount of 5.85% Debentures issued and outstanding. The 5.85% Debentures are issuable in denominations of $1,000 principal amount and bear interest at a rate of 5.85% per annum, which is payable semi-annually in arrears on April 30 and October 31 of each year. The 5.85% Debentures are convertible at the holder's option into fully paid and non-assessable trust units of the Fund at any time prior to the close of business on October 31, 2015 and the business day immediately prior to a date specified by the Fund for redemption of the 5.85% Debentures at a conversion price of $31.25 per trust unit.

The 5.85% Debentures are not redeemable by the Fund on or before October 31, 2008. On or after November 1, 2008 and on or before October 31, 2010, the 5.85% Debentures are redeemable in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days notice at a price equal to the principal amount thereof plus accrued and unpaid interest provided the current market price on the day preceding the notice of redemption is at least 125% of the conversion price. On or after November 1, 2010, the 5.85% Debentures are redeemable prior to maturity in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest.

General Terms

Each series of Outstanding Debentures have the following general terms:

The Fund will, on redemption or maturity of the Debentures, repay the indebtedness represented by the Debentures by paying the Debenture Trustee an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Fund has the option, on not more than 60 days and not less than 30 days prior notice and subject to regulatory approval, to satisfy its obligation to repay the principal amount and/or accrued interest thereon of the Debentures which are to be redeemed or have matured, by issuing trust units to holders thereof. The number of trust units to be issued will be determined by dividing the aggregate principal amount to be redeemed or which have matured by 95% of the current market price of the particular series of Debentures on the date fixed for redemption or maturity, as the case may be.

The payment of the principal of, and interest on, the Debentures is subordinated in right of payment to the prior payment in full of all Senior Indebtedness and indebtedness to trade creditors of the Fund. "Senior Indebtedness" in this context generally means the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness of the Fund, other than indebtedness evidenced by the Debentures and all other existing or future indebtedness or other instruments of the Fund which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to the Debentures.

The Indenture provides that an event of default ("Event of Default") in respect of Debentures issued under the Indenture, will occur if any one or more of the following described events has occurred and is continuing with respect to such Debentures: (i) failure for 15 days to pay interest on such Debentures when due; (ii) failure to pay principal or premium, if any, on such Debentures, whether at maturity, upon redemption, by declaration or otherwise; or (iii) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% in principal amount of such Debentures, declare the principal of and interest on all outstanding Debentures issued under that Indenture, to be immediately due and payable.

Upon the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 66 2/3% or more of the trust units of the Fund (a "Change of Control"), each Debentureholder may require the Fund to purchase, on the date which is 30 days following the giving of notice of the Change of Control (the "Put Date"), the whole or any part of such holder's Debentures at a price equal to 101% of the principal amount thereof (the "Put Price") plus accrued and unpaid interest to the Put Date. If 90% or more in aggregate principal amount of the Debentures issued and outstanding under a particular Indenture on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, the Fund will have the right to redeem all the remaining Debentures issued under such Indenture on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given to the Debenture Trustee prior to the Put Date and as soon as possible thereafter, by the Debenture Trustee, to the holders of the Debentures not tendered for purchase.

The Indenture provides that if an offer is made for Debentures issued under the Indenture, which is a take-over bid for Debentures within the meaning of the *Securities Act* (Alberta) and not less than 90% of such Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire such Debentures held by the holders of such Debentures who did not accept the offer on the terms offered by the offeror.

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which make binding on all Debentureholders resolutions passed at meetings of holders of Debentures issued under the Indenture by the holders of not less than 66 2/3% of the principal amount of the Debentures issued under the Indenture which are voted at the meeting, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the Debentures issued under the Indenture. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series issued under the Indenture.

The Indenture governing the Outstanding Debentures, provides that if the Administrator becomes aware that the beneficial owners of 49% of the Debentures issued under the Indenture then outstanding are or may be non-residents and the Board determines that such steps are required in order for the Fund to maintain its status as a mutual fund trust under the Trust Act, or is otherwise in the interest of the Fund, the Administrator may require the Debenture Trustee to refuse to: i) issue or register a transfer of Debentures issued under the Indenture to a person unless the person provides a declaration that the Debentures to be issued or transferred are not beneficially owned by a non-resident; and ii) send a notice to registered holders of Debentures issued under the Indenture which are beneficially owned by non-residents chosen in inverse order to the order of acquisition or registration or in such other manner the Administrator may consider equitable and practicable, requiring them to sell such Debentures or a portion thereof within a specified period of not less than 60 days. If such Debentureholders do not comply within the specified time period, the Administrator may require the Debenture Trustee to sell such Debentures and in the interim suspend the rights attached to such Debentures.

Special Voting Rights

The Declaration of Trust provides that the Fund is authorized to issue an unlimited number of special voting rights ("Special Voting Rights") in connection with or in relation to an issuance of securities that carry a right to convert or exchange into trust units of the Fund for no additional consideration ("Exchangeable Securities"). The Special Voting Rights shall not be entitled to any interest or share in the distributions or net assets of the Fund. Special Voting Rights may be issued in series and shall only be issued in connection with Exchangeable Securities on such terms as may be determined by the board of directors of the Administrator. Each Special Voting Right entitles the holder thereof to the number of votes at meetings of Unitholders equal to the number of trust units into which the associated Exchangeable Securities are exchangeable or convertible. Holders of Special Voting Rights are not entitled to distributions of the Fund and do not have any beneficial interest in the assets of the Fund on termination or winding up of the Fund. There are no Special Voting Rights outstanding.

Warrants

The Fund entered into a warrant indenture with CIBC Mellon Trust Company dated May 8, 2003 (the "Warrant Indenture") in connection with the Internalization. Pursuant to the terms of the Warrant Indenture, the Fund issued 3.5 million trust unit purchase warrants (the "Warrants") and, as of the date hereof, there are 2.3 million Warrants issued and outstanding. Each Warrant entitles the holder thereof to acquire one trust unit upon exercise thereof and payment of $20.00 (the "Exercise Price"), subject to adjustment as contemplated below, for a period of five years from the date of issuance. The Warrants are not listed on any stock exchange. Holders of Warrants do not have any rights as Unitholders of the Fund, including the right to vote at meetings of Unitholders of the Fund or receive distributions of the Fund. The Warrant Indenture contains customary anti-dilution provisions which will provide adjustments to the number of trust units issuable upon exercise of the Warrants and the Exercise Price in certain circumstances, including where the Fund has made certain changes to its issued capital.

Ratings

Credit Ratings

Credit ratings are intended to provide banks and capital market participants with a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold securities. Disruptions in the banking and capital markets not specifically related to Superior LP may affect its ability to access these funding sources or cause an increase in the return required by investors. Credit rating agencies consider quantitative and qualitative factors when assigning a rating to an individual company. Outlooks fall into one of four categories: positive, negative, stable, or developing and should not be seen as a prescursor to a rating change or future action. Superior LP provides the Rating Agencies with confidential, in-depth information in support of the rating process. Credit ratings should be evaluated independently and are subject to revision or withdrawal at any time by the assigning rating agency. Superior LP's credit ratings at the date hereof were as follows:

	Dominion Bond Rating Service Limited ("DBRS")	Standard & Poor's ("S&P")
Senior secured credit rating	BBB (low)	BBB –
Senior unsecured credit rating	N/A	BB+ \ negative outlook

DBRS Ratings

DBRS' credit ratings for long-term debt instruments range from AAA to D. A rating of BB is defined to be speculative, where the degree of protection afforded interest and principal is uncertain, particularly during periods of economic recession. Entities in the BB area typically have limited access to capital markets and additional liquidity support. A rating of B is defined to be highly speculative, and there is a reasonably high level of uncertainty as to the ability of the entity to pay interest and principal on a continuing basis in the future, especially in periods of economic recession or industry adversity.

DBRS' uses the "high" and "low" grades to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating that is essentially in the middle of the category.

S&P's Ratings

S&P's credit ratings for long-term debt instruments range from AAA to D. A rating of BB is defined as less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. A rating of B is defined as more vulnerable to non-payment than obligations rated BB, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

A plus (+) or minus (-) on an S&P credit rating is used to show the relative standing of an issue within the major rating categories.

Stability Rating

A stability rating is an opinion of an independent rating agency about the relative stability and sustainability of an income trust's cash distribution stream. It reflects the rating agency's assessment of an income trust's underlying business model, and the sustainability and variability in cash flow generation in the medium to long-term. The stability rating on the Fund's trust units assigned by DBRS is currently STA-3 (low). DBRS's stability ratings are designed to measure the volatility and sustainability of distributions per trust unit, in a scale ranging from STA-1 to STA-7, with STA-1 representing the highest possible. Each rating category is refined into further subcategories of high, middle, and low. Stability ratings are not directly related to debt ratings, as stability and sustainability are only two factors in a debt rating. DBRS's stability rating encompasses seven main factors: operating characteristics, asset quality, financial flexibility, diversification, size and market position, sponsorship/governance and growth. DBRS stability ratings do not take such factors as pricing or stock market risk into consideration. A stability rating is not a recommendation to buy, sell or hold trust units and may be subject to revision or withdrawal at any time by the rating organization.

Debt Covenants

Senior bank debt covenants limit the incurrence of additional long-term debt and payments of distributions to the Fund if Superior's consolidated senior debt (including proceeds raised from the accounts receivable sales program) exceeds 3.5 times to 1.0 EBITDA (as previously defined) for the last 12 month period as adjusted for the pro forma impact of acquisitions and dispositions. Senior secured notes covenant limit the incurrence of additional long-term debt and payments of distributions to the Fund if Superior's consolidated senior debt (including proceeds raised from the accounts receivable sales program) exceeds 3.0 times to 1.0 EBITDA (as previously defined) for the last 12 month period as adjusted for the pro forma impact of acquisitions and dispositions. Additionally, the Fund's distributions (including payments to debenture holders) cannot exceed EBITDA (plus $25.0 million.)

As at December 31, 2007, Superior's total debt (including Debentures) to EBITDA (as previously defined) was 3.0 times to 1.0 after taking into account the impact of the off-balance sheet receivable sales program amounts and the impact of cash on hand. Debt covenants limit the incurrence of additional long-term debt and payments of distributions to the Fund if Superior's total debt (including proceeds raised from the accounts receivable sales program) exceeds 5.0 times EBITDA for senior bank debt and 5.5 times EBITDA for senior secured notes (see Non-GAAP Financial Measures) for the last 12 month period as adjusted for the pro forma impact of acquisitions and dispositions.

At December 31, 2007, senior debt and total debt ratios when calculated in accordance with Superior's senior credit agreements were 2.0 to 1.0 (December 31, 2006 – 2.1 to 1.0). Total debt to EBITDA for purposes of senior credit agreements does not include the Debentures.

DIVIDENDS/CASH DISTRIBUTIONS

Distribution Policies

Under the terms of the Declaration of Trust, the Administrator has the sole discretion, subject to limitations imposed by any agreements entered into with lenders to the Fund, Superior LP or any affiliate of the Fund, to determine the amount of the distribution payable to Unitholders of the Fund for the applicable distribution period. The proportionate share for each trust unit of the amount of such distribution shall be determined by dividing such amount by the number of issued and outstanding trust units on the applicable distribution record date. The Declaration of Trust also provides that, subject to any limitations imposed by any agreements entered into with lenders of the Fund or affiliates of the Fund and also subject to any decision to the contrary as evidenced by a resolution of the board of directors of the Administrator, the Fund will distribute an additional amount to Unitholders on December 31 of each year so that the Fund is not liable for ordinary income taxes for such year.

The board of directors of the Administrator has adopted a policy to make monthly distributions designed to achieve a target payout ratio of below 90% of the Fund's annual distributable cash flow over time. Such distributions are paid monthly to Unitholders of record on the last business day of each calendar month with actual payment to be made to such Unitholders on or about the 15th day of the following month, subject to any contractual restrictions on such distributions including any agreements entered into with lenders of the Fund or its affiliates. The board of directors of the Administrator can, subject to the terms of the Declaration of Trust, modify the distribution policy from time to time in its discretion.

The board of directors of the General Partner, in its capacity as general partner of Superior LP, have discretion, subject to the limits prescribed in the Partnership Agreement, to determine the amount and frequency of Superior LP's distributions to the Fund. The board of directors of the General Partner have implemented a distribution policy that enables the Fund to maintain its current distribution policy, subject to any contractual restrictions on such distributions including any agreements entered into with lenders of Superior LP or its affiliates. However, the board of directors of the General Partner can, subject to the terms of the Partnership Agreement, modify the distribution policy from time to time in its discretion.

Cash Distributions

The following table sets forth the amount of cash distributions the Fund has paid on the trust units for the three most recently completed financial years.

Record Date	Payment Date	Distribution Per Trust Unit ($)	Annual Distribution Tax Year
December 31, 2007	January 15, 2007	0.13	**2007: $1.56**
November 30, 2007	December 14, 2007	0.13	
October 31, 2007	November 15, 2007	0.13	
September 30, 2007	October 15, 2007	0.13	
August 31, 2007	September 14, 2007	0.13	
July 31, 2007	August 15, 2007	0.13	
June 30, 2007	July 13, 2007	0.13	
May 31, 2007	June 15, 2007	0.13	
April 30, 2007	May 15, 2007	0.13	
March 31, 2007	April 13, 2007	0.13	
February 28, 2007	March 15, 2007	0.13	
January 31, 2007	February 15, 2007	0.13	
Dec 31, 2006	Jan 13, 2007	0.13	**2006: $1.82**
Nov 30, 2006	Dec 15, 2006	0.13	
Oct 31, 2006	Nov 15, 2006	0.13	
Sep 30, 2006	Oct 14, 2006	0.13	
Aug 31, 2006	Sep 15, 2006	0.13	
Jul 31, 2006	Aug 15, 2006	0.13	
Jun 30, 2006	Jul 15, 2006	0.13	
May 31, 2006	Jun 15, 2006	0.13	
Apr 30, 2006	May 13, 2006	0.185	
Mar 31, 2006	Apr 15, 2006	0.185	
Feb 28, 2006	Mar 15, 2006	0.205	
Jan 31, 2006	Feb 15, 2006	0.205	
Dec 31, 2005	Jan 13, 2006	0.205	**2005: $2.41**
Nov 30, 2005	Dec 15, 2005	0.205	
Oct 31, 2005	Nov 15, 2005	0.20	
Sep 30, 2005	Oct 14, 2005	0.20	
Aug 31, 2005	Sep 15, 2005	0.20	
Jul 31, 2005	Aug 15, 2005	0.20	

Record Date	Payment Date	Distribution Per Trust Unit ($)	Annual Distribution Tax Year
Jun 30, 2005	Jul 15, 2005	0.20	
May 31, 2005	Jun 15, 2005	0.20	
Apr 30, 2005	May 13, 2005	0.20	
Mar 31, 2005	Apr 15, 2005	0.20	
Feb 28, 2005	Mar 15, 2005	0.20	
Jan 31, 2005	Feb 15, 2005	0.20	

MARKET FOR SECURITIES

The Fund's trust units and convertible debentures trade on the Toronto Stock Exchange (the "TSX") under the following symbols:

Trading Symbol	Security
SPF.un	Trust Units
SPF.db.b	5.75% Debentures
SPF.db.c	5.85% Debentures

The following table summarizes the trading activity of the Fund's securities on the TSX for the year ended December 31, 2007:

Trust units : SPF.un	High	Low	Volume
January	11.620	10.620	6,188,022
February	12.400	11.200	4,207,861
March	12.930	11.700	7,954,447
April	14.430	12.460	8,131,287
May	15.150	13.450	7,314,904
June	15.800	14.610	4,914,041
July	16.270	14.770	5,507,828
August	15.020	12.080	5,649,039
September	14.120	12.500	3,699,317
October	13.480	12.400	3,576,784
November	12.650	10.990	3,397,306
December	12.500	11.020	3,209,541
2007	**16.270**	**10.620**	63,750,377

5.75% Debentures: SPF.db.b	High	Low	Volume
January	97.000	89.000	42,470
February	99.000	94.000	22,120
March	98.470	94.030	26,290
April	98.990	93.760	20,010
May	99.990	97.010	25,460
June	99.480	96.000	19,230
July	96.980	94.000	20,980
August	96.490	93.500	10,540
September	96.240	90.000	12,000
October	95.890	90.000	9,810
November	94.750	91.000	19,110
December	94.740	87.000	15,310
2007	99.990	87.000	243,330

5.85% Debentures: SPF.db.c	High	Low	Volume
January	94.990	87.510	15,320
February	95.500	90.600	33,670
March	95.490	93.600	20,190
April	95.500	91.100	37,120
May	98.500	93.760	62,720
June	98.490	94.500	20,830
July	96.590	91.750	13,540
August	93.500	90.000	7,080
September	92.500	88.510	9,600
October	92.500	87.000	6,460
November	93.990	90.000	14,140
December	90.500	85.000	8,080
2007	98.500	87.00	248,750

DIRECTORS AND OFFICERS OF THE ADMINISTRATOR

Each of the Administrator and the General Partner is, directly or indirectly, a wholly-owned subsidiary of the Fund. The directors of the Administrator and the General Partner are, pursuant to the terms of the Declaration of Trust, elected annually by the Unitholders of the Fund. The board of directors of the Administrator and the General Partner are currently comprised of the same individuals.

The names, municipalities of residence, principal occupations for the five most recently completed financial years and committee membership of the directors of the Administrator and the General Partner as of the date hereof are set out below. Each current director was appointed to serve until the next annual meeting or until a successor is elected or appointed.

As at March 10, 2008, the directors and officers as a group owned, directly or indirectly 2,041,238 trust units of the Fund, representing approximately 2.3% of the Fund's outstanding trust units. The number of trust units of the Fund that each director beneficially owns, directly or indirectly, or exercises control or direction over, as at March 10, 2008, is included in the following table. The information as to the ownership or control or direction of trust units, not being within the knowledge of the Fund, has been furnished by the directors individually.

Name, Province and Country of Residence	Director Since	Number of Trust Units	Principal Occupation
Catherine M. (Kay) Best [(1)] Alberta, Canada	July, 2007	Nil	Executive Vice-President, Risk Management and Chief Financial Officer of the Calgary Health Region.
Grant D. Billing[(4)] Alberta, Canada	1994	1,791,997	Executive Chairman and Chief Executive Officer of the Administrator and the General Partner.
Robert J. Engbloom, Q.C. [(2)] Alberta, Canada	1996	17,010	Partner, Macleod Dixon LLP (law firm).
Randall J. Findlay [(2)] Alberta, Canada	2007	10,000	Corporate Director. From 2001 until 2006, Mr. Findlay was President of Provident Energy Ltd. (a diversified energy business).
Norman R. Gish[(3) (4) (5)] Alberta, Canada	2003	28,910	Corporate Director and independent businessman.
Peter A.W. Green [(1)(2)(6)] Ontario, Canada	1996	10,466	Chairman of The Frog Hollow Group Inc. (international business advisors) and Chairman of Patheon Inc. (global pharmaceutical company).
James S.A. MacDonald [(3) (7) (8)] Ontario, Canada	2000 [(7)] (also, May 28/98 - Dec 11/98)	151,889	Chairman and Managing Partner of Enterprise Capital Management Inc. ("ECMI") (investment management company).
Walentin (Val) Mirosh[(3)] Alberta, Canada	2007	Nil	Vice President, NOVA Chemicals; President, Nova Chemicals Olefins and Feedstock. From 2001 to 2003, he was a Partner, Macleod Dixon LLP (law firm).
David P. Smith [(1) (8)] Ontario, Canada	1998	29,137	Managing Partner of ECMI.
Peter Valentine [(1)] Alberta, Canada	2004	1,829	Corporate director and consultant.

Notes:

1) Member of Audit Committee of the Administrator.
2) Member of Governance and Nominating Committee of the Administrator.
3) Member of Compensation Committee of General Partner.
4) Messrs. Billing and Gish also own $1,000,000 and $60,000 principal amount of Convertible Debentures of the Fund, respectively.
5) Mr. Gish served as a trustee of the Fund from September 2000 to October 2003 and as Chairman of ICG Propane Inc. ("ICG") from December 1998 to September 2000.
6) Mr. Green was appointed Lead Director of Superior on August 11, 2003. Mr. Green has been appointed as a director and officer of companies that have financial difficulties to assist such companies with financial restructuring, proposals or compromise arrangements. In this capacity, Mr. Green was appointed a director of Phillip Services Corp. which made a proposal under chapter 11 of the U.S. Bankruptcy Code and the *Companies Creditors' Arrangement Act* (Canada) in 1999 and briefly became the Chairman and C.E.O. of Norigen Inc. which went into receivership in August, 2001.
7) Director of ICG for the duration of the Hold-Separate Order of the Competition Bureau which required Superior to keep ICG's operations separate from its own. ICG was amalgamated with Superior effective September 30, 2000.
8) Messrs. MacDonald and Smith also own 54,382 and 3,298 warrants, respectively, to acquire trust units of the Fund at an exercise price of $20.00 expiring on May 8, 2008.

(9) The Corporation does not have an Executive Committee.

(10) The directors of Superior hold an aggregate of 410,000 options to acquire trust units at exercise prices between $19.65-$32.19.

Officers of the General Partner and Administrator who are not Directors

Name and Municipality of Residence	Principal Occupation
Wayne M. Bingham Calgary, Canada	Executive Vice-President and Chief Financial Officer since November 1, 2006 and from May 1, 2003 to January 31, 2006 Executive Vice-President and Chief Financial Officer of Finning International Inc., (a heavy equipment distribution business) and from April, 1999 to April, 2003, Executive Vice-President and Chief Financial Officer of Ontario Power Generation.
Jay Bachman Calgary, Canada	Corporate Controller since March 2007 and Manager, Corporate Reporting since August 2004. Prior thereto, Manager at KPMG Chartered Accountants.
A. Scott Daniel Calgary, Canada	Vice-President, Treasurer and Investor Relations since March 2007 and from February 2005 to March 2007, Manager of Treasury and Investor Relations at Daylight Resources Trust (an oil and gas trust) and from 1994 to February 2005, various senior corporate finance positions within CIBC, a major Canadian Bank.
Craig S. Flint Calgary, Canada	Vice-President, Business Process and Compliance since September 2006 and prior thereto, various senior financial positions with Superior and the businesses. From April 1991 to October 1998, Manager at PricewaterhouseCoopers.
Leanne E. Likness Calgary, Canada	Corporate Secretary since May 6, 2007 and Assistant Corporate Secretary since September 2006. From 2004 to August, 2006, Corporate Paralegal and Board Liaison at Shell Canada Limited (an integrated oil and gas company) and prior thereto various corporate positions.

AUDIT COMMITTEE

Information with respect to the Audit Committee of the Administrator, including its composition, education and experience of its members and the external auditor service fees are disclosed in the Information Circular of the Fund dated March 10, 2008, under the headings "Audit Committee" and "Audit Fees", which information is incorporated by reference herein.

RISK FACTORS

Cash Distributions to Unitholders are Dependent on the Performance of Superior LP

Distributable cash generally refers to the net cash received by the Fund that is available for payment to Unitholders on a monthly basis. The Fund is entirely dependent upon the operations and assets of Superior LP. The Fund's ability to make cash distributions to Unitholders is dependent upon the ability of Superior LP to make distributions on its outstanding limited partnership units as well as the operations and business of Superior LP.

Although the Fund intends to distribute the income allocated from Superior LP, less the amount of its expenses, indebtedness and other obligations and less amounts, if any, the Fund pays in connection with the redemption of trust units, there is no assurance regarding the amounts of cash to be distributed by Superior LP or generated by Superior LP, and therefore, funds available for distribution to Unitholders. The actual amount distributed in respect of the limited partnership units will depend on a variety of factors, including without limitation, the performance of Superior LP's operating businesses, the effect of acquisitions or dispositions on Superior LP, and other factors that may be beyond the control of Superior LP or the Fund. In the event significant sustaining capital expenditures are required by Superior LP or the profitability of Superior LP declines, there would be a decrease in the amount of cash available for distribution to Unitholders and such decrease could be material.

The Fund's distribution policy and that of Superior LP is subject to change at the discretion of the board of directors of the Administrator or the board of directors of the General Partner, as applicable. The Fund's distribution policy and that of Superior LP are also limited by contractual agreements including agreements with lenders to the Fund and its affiliates. The recourse of Unitholders who disagree with any change in such distribution policy is limited.

Income Tax

There is no assurance that Canadian federal income tax laws, including the treatment of mutual fund trusts thereunder, will not be changed in a manner that affects Unitholders in a material adverse way. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the trust units would cease to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Furthermore, as the trust units would then constitute "taxable Canadian property" for purposes of the Tax Act, Unitholders that are Non-Residents would be subject to tax under the Tax Act (in the absence of relief under an applicable tax treaty or convention) on any capital gains realized on the disposition (or deemed disposition) of such Units.

The Declaration of Trust provides that, subject to the Administrator determining otherwise, in the event that the aggregate income of the Fund for a taxation year, including net taxable capital gains, if any, and the non-taxable portion of the capital gains, if any, exceeds distributions in that year or amounts otherwise made payable in the year, the amount of such excess may become payable to the Unitholders of record on the last day of that year and be paid to the Unitholders in the following year. This may result in income distributable to Unitholders exceeding cash available for distribution. In such case, the Declaration of Trust provides that additional Units may be distributed to Unitholders in lieu of cash distributions and Unitholders will generally be required to include an amount equal to the fair market value of those Units in their Canadian federal taxable income.

On October 31, 2006, the Minister of Finance (Canada) announced new tax proposals concerning the taxation of income trusts and other flow-through entities (the "SIFT Rules"). Bill C-52, *Budget Implementation Act, 2007*, which received Royal Assent on June 22, 2007, contained the SIFT Rules. Under the SIFT Rules, the Fund, as a publicly traded income trust, is considered a specified investment flow-through ("SIFT") trust and will be subject to trust level taxation as of January 1, 2011 at a rate comparable to the combined federal and provincial corporate tax rate on certain types of income. Existing SIFT trusts will have a four-year transition period, and subject to the qualifications below, will not be subject to the SIFT Rules until January 1, 2011.

Pursuant to the SIFT Rules, commencing January 1, 2011 (provided the Fund only experiences "normal growth" and no "undue expansion" before then) certain distributions from the Fund which would have otherwise have been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the Fund level. Returns of capital generally are (and under the SIFT Rules will continue to be) tax-deferred for Unitholders who are resident in Canada for purposes of the Tax Act (and reduce such Unitholder's adjusted cost base in the Trust Unit for purposes of the Tax Act). Distributions, whether of income or capital to a Unitholder who is not resident in Canada for purposes of the Tax Act, or that is a partnership that is not a "Canadian partnership" for purposes of the Tax Act, generally will be subject to Canadian withholding tax.

Management believes that the SIFT Rules may reduce the value of the trust units, which would be expected to increase the cost to the Fund of raising capital in the public capital markets. In addition, management believes that the SIFT Rules are expected to: (a) substantially eliminate the competitive advantage that the Fund and other Canadian trusts enjoy relative to their corporate peers in raising capital in a tax-efficient manner, and (b) place the Fund and other Canadian trusts at a competitive disadvantage relative to industry competitors. The SIFT Rules are expected to make the trust units less attractive as an acquisition currency. As a result, it may become more difficult for the Fund to compete effectively for acquisition opportunities. There can be no assurance that the Fund will be able to reorganize its legal and tax structure to substantially mitigate the expected impact of the SIFT Rules.

The Rules provide that there is no intention to inhibit "normal growth" of a SIFT during the transition period, but "undue expansion" could result in the transition period being "revisited" presumably with the loss of the benefit to the SIFT of that transitional period. As a result, the adverse tax consequences associated with the SIFT Rules could be realized by the Fund sooner than January 1, 2011. Specifically, SIFT Rules state that "normal growth" would include equity growth within certain "safe harbour" limits, measured by reference to a SIFT trust's market capitalization as of the end of trading on October 31, 2006 (which would include the SIFT's issued and outstanding publicly traded trust units and not any convertible debt, options or other interests convertible into or exchangeable for trust units). Those safe harbour limits are 40% for the period from November 1, 2006 to December 31, 2007, and 20% for each calendar 2008, 2009 and 2010. Moreover, these limits are cumulative, so that any unused limit for a period carries over into the subsequent period. Additional details of the SIFT Rules include the following:

(a) new equity for these purposes includes units and debt that is convertible into units (and may include other substitutes for equity if attempts are made to develop such substitutes); and

(b) replacing debt that was outstanding as of October 31, 2006 with new equity, whether by a conversion into trust units of convertible debentures or otherwise, will not be considered growth for these purposes and will therefore not affect the safe harbour limits;

The Fund's market capitalization as of the close of trading on October 31, 2006, having regard only to its issued and outstanding publicly-traded Units, was approximately $1,117 million, which means the Trust's "safe harbour" equity growth amount for the period ending December 31, 2007 is approximately $447 million and for each of calendar years 2008, 2009 and 2010 is approximately an additional $223 million (in any case, not including equity, including convertible debentures, issued to replace debt that was outstanding on October 31, 2006).

While these guidelines are such that it is unlikely they would affect the Fund's ability to raise the capital required to maintain and grow its existing operations in the ordinary course during the transition period, they could adversely affect the cost of raising capital.

It is not known at this time if significant changes to the SIFT Rules will be made prior to January 1, 2011 that may positively or negatively impact the Fund.

Access to Capital

The credit facilities of Superior LP contain covenants that require Superior LP to meet certain financial tests and that restrict, among other things, the ability of Superior LP to incur additional debt, dispose of assets or pay distributions in certain circumstances. These restrictions may preclude Superior LP from returning capital or making distributions on the limited partnership units. Please refer to page 46 for a description of the requirements contained in Superior's debt covenants.

The payout by Superior LP of substantially all of its available cash means that capital expenditures to fund growth opportunities can only be made in the event that other sources of financing are available. Lack of access to such additional financing could limit the future growth of the business of Superior LP and, over time, have a material adverse effect on the amount of cash available for distribution to Unitholders.

To the extent that external sources of capital, including public and private markets, become limited or unavailable, the Fund's and Superior LP's ability to make the necessary capital investments to maintain or expand its current business and to make necessary principal payments, uncertainties and assumptions under its term credit facilities may be impaired.

Forward-Looking Information May Prove Inaccurate

Numerous statements containing forward-looking information are found in this Annual Information Form, documents incorporated by reference herein and other documents forming part of the Fund's public disclosure record. Such statements and information are subject to risks and uncertainties and involve certain assumptions, some, but not all, of which are discussed elsewhere in this document. The occurrence or non-occurrence, as the case may be, of any of the events described in such risks could cause actual results to differ materially from those expressed in the forward-looking information.

Interest Rates

Superior maintains a substantial floating interest rate exposure through a combination of floating interest rate borrowings and the use of derivative instruments. Demand levels for approximately 50% of Superior Propane's sales and substantially all of ERCO Worldwide's and Winroc's sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase as does sales demand from Superior's customers, thereby increasing Superior's ability to pay higher interest costs and vice versa. In this way, a common relationship between economic activity levels, interest rates and Superior's ability to pay higher or lower rates are generally aligned.

Foreign Exchange Risk

A portion of Superior's net cash flows are denominated in US dollars. Accordingly, fluctuations in the Canadian/United States dollar exchange rate can impact profitability. Superior mitigates this risk by hedging.

Capital Investment

The timing and amount of capital expenditures incurred by Superior LP or by its subsidiaries will directly affect the amount of cash available to the Fund for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when significant capital expenditures are incurred or other unusual expenditures are made.

Nature of Units

The trust units do not represent a traditional investment. The trust units represent a fractional interest in the Fund. The trust units do not represent a direct investment in Superior LP's business. Holders of trust units will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

The trust units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations or affairs and, in the event that a court determines Unitholders are subject to such liability, such liability will only be enforceable against and satisfied out of the assets of the Fund. The Declaration of Trust also provides that all written instruments signed by or on behalf of the Fund must contain a provision to the effect that such obligation will not be binding on Unitholders personally. Personal liability may also arise in respect of claims against the Fund that do not arise under contracts. The possibility of any such personal liability of this nature arising, especially given legislation in certain provinces of Canada providing that beneficiaries of an income trust are not liable for actions of trustee of an income trust, is considered remote by the Fund.

Limited Liability

The Fund holds a 99.9% limited partnership interest in Superior LP. As a limited partner of a limited partnership existing under the laws of the Province of Ontario, the Fund's liability for indebtedness, claims and other liabilities of Superior LP is limited to its investment in such partnership. However, there are certain circumstances in which the Fund could lose its limited liability in connection with its investment in Superior LP. For example, if the Fund were to directly assume active management of Superior LP, its limited liability would be jeopardized.

Redemption Right

Registered Unitholders are entitled to require the Fund to redeem their Units in accordance with the terms of the Declaration of Trust, which may be at a value less than their market price. It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investment in the trust units. Cash redemptions are subject to limitations set out in the Declaration of Trust. Securities of the Fund distributed in this manner may not be qualified investments for deferred income plans or registered education savings plans, depending upon the circumstances at the time. For more information, please refer to "Trust Units and Declaration of Trust" on page 39 of this AIF.

Additional Units

The Declaration of Trust authorizes the board of directors of the Administrator to issue an unlimited number of trust units or other securities for the consideration, and on terms and conditions, established by such board without the approval of Unitholders. If the board of directors of the Administrator decides to issue additional trust units or securities convertible into trust units, existing Unitholders may suffer significant dilution and distributable cash per trust unit could decline.

Non-Resident Ownership Restriction

To retain its status as a mutual fund trust for the purposes of the Tax Act, at no time may the Fund be maintained primarily for the benefit of non-residents. Periodically, management endeavours to estimate the level of ownership of Units by non-residents. If the board of directors of the Administrator becomes aware that ownership by non-residents has reached a level such that it is prudent to implement remedial measures, or such a situation is imminent, the board of directors of the Administrator is authorized under the Declaration of Trust to take certain steps to maintain or reduce the trust unit holdings of non-residents. Such steps could include requiring non-residents to dispose of their trust units, placing limitations on the ability of non-residents (including existing Unitholders) to acquire trust units or certain other actions that could reduce the liquidity of the trust units or result in their delisting from certain exchanges. The market price of the trust units could decline in the event that the board of directors of the Administrator elects to undertake one or more of these measures.

Operating Risks and Insurance Coverage

Superior LP's operations are subject to the risks associated with the operations of each of its businesses some of which are outlined below. Superior LP is and will continue to be involved in various legal proceedings and litigation that arises in the normal course of its business. Superior LP maintains insurance policies with insurers in such amounts and with such coverages and deductibles as it believes are reasonable and prudent. However, there can be no assurance that such insurance will be adequate to protect Superior LP from all material expenses related to potential future claims related to the operations of its businesses or that such levels of insurance will be available in the future at economical prices.

Superior LP May Not Be Successful in Making Acquisitions

Superior LP and its predecessors have historically expanded their business through organic growth and acquisitions. Superior LP intends to consider and evaluate opportunities for growth acquisitions. There can be no assurance that Superior LP will find attractive acquisition candidates in the future, or that Superior LP will be able to acquire such candidates on economically acceptable terms.

Superior Propane

Competition

Propane is sold in competition with other energy sources such as fuel oil, electricity and natural gas, some of which are less costly on an energy equivalent basis. While propane is usually more cost effective than electricity, electricity is a major competitor in most areas. Fuel oil is also used as a residential, commercial and industrial source of heat and, in general, is less costly on an equivalent energy basis, although operating efficiencies and environmental and air quality factors help make propane competitive with fuel oil. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas already exists. Other alternative energy sources such as compressed natural gas, methanol and ethanol are available or could be further developed and could have an impact on the propane industry and Superior Propane in the future. The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane demand and Superior Propane's sales. Demand for automotive uses is presently declining at a rate of approximately 10% to 15% per year due to the development of more fuel efficient and complicated engines which increase the cost of converting engines to propane and reduce the savings per kilometre driven. Propane commodity prices are affected by crude oil and natural gas commodity prices. Crude oil and natural gas commodity prices have recently been volatile and at historically high levels. In turn, propane commodity prices have followed similar trends. As a result, the competitiveness of propane relative to certain other energy sources may have been reduced.

In addition to competition from other energy sources, Superior Propane competes with approximately 200 other retail marketers. Propane retailing is a local, relationship-based business, in which propane competes for market share based on price and level of service. The industry is mature, with limited growth potential and barriers to entry are relatively low. Superior Propane's ability to remain an industry leader depends on its ability to provide reliable service at competitive selling prices.

Volume Variability Due to Weather Conditions and Economic Demand

Historically, overall propane demand from non-automotive end-use applications has been stable. However, weather and general economic conditions affect propane market volumes. Weather influences the demand for propane primarily for space heating uses and also for agricultural applications, such as crop drying. Approximately 80% of Superior Propane's annual cash flow is typically generated in the October-March winter heating season. Superior Propane accumulates propane inventory during the summer months for delivery to its fixed-price customers during the winter heating season.

Propane Demand, Supply and Pricing

Propane represents less than 2% of the overall Canadian energy market and is used in a wide range of applications, including residential, commercial, industrial, agricultural and automotive uses. Demand for traditional propane end-use applications is increasing marginally with general economic growth. However, increases in the cost of propane encourage customers to conserve fuel consumption and to invest in more energy efficient equipment, reducing demand. Automotive propane demand is presently declining at a rate of approximately 10% to 15% per year due to the development of more fuel-efficient and complicated engines which increase the cost of converting engines to propane and reduce the savings per kilometre driven. Reversal of this market trend will require increased support of governments and original equipment vehicle manufacturers. Based on the most recently available industry data, it is estimated that on an annual basis, approximately 11 billion litres of propane are produced in Canada of which about four billion litres are consumed domestically. The remainder is exported to the United States. Superior

Propane's supply is currently purchased from 26 propane producers in Canada. Superior Propane leases underground propane storage capacity in Marysville, Michigan, Mt. Belvieu, Texas, Conway, Kansas, Regina, Saskatchewan and Fort Saskatchewan, Alberta and accumulates propane storage positions during the summer months to provide it with further supply security and distribution capacity in periods of supply disruption and high demand in the winter season. Propane is mainly purchased under annual contracts, with pricing arrangements based principally on industry posted prices at the time of delivery. The retail propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product costs. Changes in propane supply costs are normally passed through to customers, but timing lags may result in positive or negative gross margin fluctuations.

Health, Safety and Environment
Slight quantities of propane may be released during transfer operations. The storage and transfer of propane has limited impact on soil or water given that a release of propane will disperse into the atmosphere. To mitigate risks, Superior Propane has established a comprehensive program directed at environmental, health and safety protection. This program consists of an environmental policy, codes of practice, periodic self-audits, employee training, quarterly and annual reporting and emergency prevention and response.

Superior Propane's operations are subject to the risks associated with handling, storing and transporting propane in bulk. The potential exists for accidents to occur or equipment to fail which could result in the release of propane and any such release could result in a fire or explosion causing damage to facilities, death or injury and liabilities to third parties.

Employee and Labour Relations
As of December 31, 2007, Superior Propane had 1,530 regular and 200 part-time employees. Approximately 390 or 20% of its employees are unionized through six provincial or regional certifications in British Columbia/Yukon, Manitoba and Quebec with expiry dates ranging from April 2008 to December 2010. Collective bargaining agreements are renegotiated in the normal course of business.

Fixed-Price Offerings
Superior Propane offers its customers various fixed-price propane programs. In order to mitigate the price risk from offering these services, Superior Propane uses its physical inventory position, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. See Note 18(ii)) to the Consolidated Financial Statements for fixed-price propane purchase and sale commitment amounts. To the extent that Superior Propane has an exposure related to US dollars, the exposure is mitigated through foreign currency hedge contracts. See "Foreign Currency Hedging" and Note 12 to the Consolidated Financial Statements.

ERCO Worldwide

Competition
ERCO Worldwide, one of four global sodium chlorate companies, competes with Eka, Kemira and Canexus on a worldwide basis. The business also competes with a number of smaller regional producers. Key competitive factors include price, product quality, logistics capability, reliability of supply, and technical capability and service. Of the global producers, Kemira and Canexus do not provide chlorine dioxide generators or related technology. The business also competes with chloralkali producers, such as Dow Chemicals, and potassium producers such as Occidental Chemicals, Olin Corporation, Ashta Chemicals and PPG Industries.

In addition, the end-use markets for ERCO Worldwide's products are correlated to the general economic environment and the competitiveness of its customers which is outside of its control. North American bleached pulp producers are experiencing global competitive pressure as a result of increased fibre and energy costs and the impact of exchange rates which may result in reduced demand for sodium chlorate in North America. In addition, North American demand for chlorine and chlorine related products may be impacted by the general economic environment, which can directly impact the pricing for chloralkali products.

Supply Arrangements
ERCO Worldwide uses four primary raw materials to produce its chemical products: electricity, salt, potash and water. Electricity comprises 70% to 85% of variable production costs for sodium chlorate. The business has long-term contracts or contracts that renew automatically with power producers in each of the jurisdictions in which its plants are located. These contracts generally provide ERCO Worldwide with some portion of firm power supply and a portion that may be interrupted by the producer based on the terms of the various agreements. The business can reduce its power consumption quickly and at minimal cost, which allows it, in some jurisdictions, to reduce its overall power costs by selling ancillary services back to the power producer or to the power grid. In jurisdictions where electrical costs are deregulated, fixed-price term supply contracts are entered into in order to manage production costs. Approximately 10% of ERCO Worldwide's annual power requirements are located in deregulated electricity jurisdictions, of which 100% has been sourced through fixed-price electrical contracts, for remaining terms up to ten years. Electricity for ERCO's Chilean facility is supplied from CMPC and is supplied as part of ERCO's long-term sodium chlorate supply agreement with CMPC. See Note 18(iii) to the Consolidated Financial Statements for a summary of ERCO's fixed-price electricity commitments.

ERCO Worldwide purchases salt from third-party suppliers at each of its plants with the exception of the Hargrave and Saskatoon facilities, which are self-supplied through long-term salt reserves that are solution-mined on site. Salt purchase contracts are typically fixed-price contracts with terms of one year or greater, often with automatic renewals. Salt costs typically comprise about 10% of variable production costs of sodium chlorate.

Potassium Chloride ("KCl") is a major raw material used in the production of KOH at ERCO's Port Edwards Wisconsin facility. 100% of ERCO's KCl is received from PCS. PCS operates two KCl mines that are able to provide the product specifications required by ERCO. There are currently no alternate KCl suppliers available to ERCO. In the event of a KCl supply interruption, ERCO's Port Edwards facility is able to switch production to the sodium molecule from the potassium molecule. The ability to switch between sodium and potassium significantly mitigates the risks associated with a single point of supply for KCl.

The cost of electricity is far greater than all other costs of production combined for ERCO Worldwide. Therefore, supply of electricity at reasonable prices and on acceptable terms is critical. If ERCO Worldwide is unable to obtain electricity at reasonable prices and on acceptable terms, it will have a negative impact on its results of operations. The electricity that ERCO Worldwide uses is supplied by others and may be subject to wide price fluctuations for a variety of reasons beyond ERCO Worldwide's control. The current trend towards deregulation of electric power makes short-term future costs for electric power uncertain in certain jurisdictions in which this business operates. There is no assurance that ERCO Worldwide will continue to be able to secure adequate supplies of electricity at reasonable prices or on acceptable terms.

Foreign Currency Exchange
ERCO Worldwide's exposure to fluctuations in the United States dollar and Canadian dollar foreign currency exchange rates is approximately $100 million to $110 million, and consists of US denominated net revenue from Canadian operations and the net cash flow generated from operations in the United

States and Chile. ERCO Worldwide manages its exposure to fluctuations between the United States and Canadian dollar by entering into hedge contracts with external third parties and internally with other Superior Plus businesses. Approximately 85% and 40% of ERCO Worldwide's estimated United States dollar exposure for 2008 and 2009 have been hedged.

Health, Safety and Environment

ERCO Worldwide's operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous and are regulated by environmental and health and safety laws, regulations and requirements. ERCO Worldwide is a founding member of Responsible Care®, an initiative of the Canadian Chemical Producers Association, an association that promotes the safe and environmentally sound management of chemicals. ERCO Worldwide manages its environmental and safety risk in a manner consistent with Responsible Care® protocols and strives to achieve an environmental and safety record that compares favourably with other businesses in the chemical industry. ERCO applies this ethic worldwide through Global Charter. The business has not had a material environmental or safety incident for over 14 years and has steadily reduced the number of safety and environmental incidents at all of its facilities.

Regulatory

ERCO Worldwide's operations and activities in various jurisdictions require regulatory approvals for the handling, production, transportation and disposal of chemical products and waste substances. The failure to obtain or comply fully with such applicable regulatory approvals may materially adversely affect ERCO Worldwide.

Operational Matters

The operations of ERCO Worldwide are subject to the risks normally incident to the handling, production, transportation and disposal of chemical products. ERCO Worldwide's facilities produce large volumes of chemicals, using equipment with fine tolerances. The potential exists for the release of highly toxic and lethal substances, including chlorine. Equipment failure could result in damage to facilities, death or injury and liabilities to third parties. If at any time the appropriate regulatory authorities deem any of the facilities unsafe, they may order that such facilities be shut down.

Employee and Labour Relations

As at December 31, 2007, ERCO Worldwide had 451 fulltime employees of which approximately 115 (25%) are unionized. The three plants in Vancouver, Saskatoon and Buckingham are subject to collective bargaining agreements which expire from 2008 to 2010. During 2007, the Saskatoon facility renewed its collective agreement until 2010. Collective bargaining agreements are renegotiated in the normal course of business.

Winroc

Competition

The North American walls and ceilings construction product business generates estimated annual sales revenues of more than $20 billion. Specialty distributors such as Winroc service the builder/contractor market representing 50% to 60% of total industry revenues with the remainder sold through big-box home centres and independent lumber yards that service the "do-it-yourself" market as well as direct sales to modular home manufacturers. The specialty walls and ceilings distribution business is a local, relationship-based business in which distributors compete on the basis of price and service. Barriers to entry are relatively low. Winroc positions itself as a productivity partner with the installing contractor, providing value-added "stock and scatter" job site service. Winroc's multi-location distribution network, strong market position and Allroc purchasing operation, provide it with purchasing scale, product line breadth and knowledge that assists its customers, providing it with a competitive advantage over smaller competitors. The specialty distribution sector is highly fragmented with the top six competitors representing an estimated 32% of overall North American industry revenues.

Demand, Supply and Pricing

Demand for walls and ceilings building materials is affected by changes in general and local economic factors including demographic trends, employment levels, interest rates, consumer confidence and overall economic growth. These factors in turn impact the level of existing housing sales, new home construction, new non-residential construction, and office/commercial space turnover.

Housing starts reflect the level of new residential construction activity. The level of new commercial construction activity has historically lagged new residential activity as commercial infrastructure is put in place to service residential development. Renovation activity trends have historically followed existing home resales and turnover of occupants in commercial building space. Winroc's sales are moderately seasonal, consistent with new construction and renovation market activity, with approximately 53% of annual revenues generated during the second and third quarters.

Winroc carries a comprehensive product line comprised of approximately 40,000 stock-keeping units. Its six principal product lines, are sourced from 128 suppliers. Winroc is not reliant on any one supplier to source product within its principal product lines. Winroc leverages its purchasing capability through its Allroc purchasing division, which also provides third-party purchasing services to ten independent distributors and retailers. Winroc purchases its products pursuant to various purchasing programs and does not enter into long-term purchase contracts.

The walls and ceilings specialty distribution business is a "margin-based" business where the level of profitability is dependent on the difference earned between selling prices and wholesale product cost, management of operating expenses and working capital. Changes in product costs are normally passed through to customers, but timing lags may result in both positive and negative fluctuations of gross margins.

Health, Safety and Environment

Distribution of walls and ceilings construction products is a physically challenging job. Winroc maintains safe working practices through proper procedures and direction and utilization of equipment such as forklift trucks, cranes and carts. Winroc handles and stores a variety of construction materials and maintains appropriate materials handling compliance programs.

Employee and Labour Relations

As at December 31, 2007, Winroc had 935 employees of which approximately 103 (11%) are unionized at six locations. Collective bargaining agreements expire from 2008 to 2011, and are renegotiated in the normal course of business.

Superior Energy Management

Competition

The energy retailing business is competitive and many of SEM's competitors have greater financial and other resources than SEM. It is possible that new entrants may enter the market and compete directly for the customer base that SEM targets, slowing or reducing its market share. Such competition may have an adverse effect on the results of this business.

Effective June 2007, the Ontario Energy Board implemented customer portability rules in the Ontario natural gas market. The new regulation referred to as Gas Distribution Access Rules ("GDAR") has allowed utilities to enroll customers with a natural gas marketer regardless if they are already on a contract with a different natural gas marketer. This can create customer enrollment issues, whereby customers have been enrolled with a new natural gas marketer without completing their contractual obligation with their original natural gas marketer, leaving the customer financially obligated to both retailers. In most cases, the customer is faced with early cancellation fees by the natural gas marketer it wishes to leave. In addition, suppliers may be required to collect from unwilling customers who have switched retailers which could result in increase collection costs or customer defaults.

Fixed-Price Offering

Gas Fixed-Price Offerings. SEM purchases natural gas to meet its estimated commitments to its customers based upon the historical consumption of gas of its customers. Depending on a number of factors, including weather and customer attrition, customer natural gas consumption may vary from the volume purchased. This variance must be reconciled and settled at least annually and may require SEM to purchase or sell natural gas at market prices which may have an adverse impact on the results of this business. To mitigate potential balancing risk, SEM closely monitors its balancing position and takes measures such as adjusting gas deliveries and transferring gas between pools of customers, so that imbalances are minimized. In addition, SEM maintains a reserve for potential balancing costs. The reserve is reviewed on a monthly basis to ensure that it is sufficient to absorb any losses that might arise from balancing.

Power Fixed-Price Offerings. SEM matches its customers estimated electricity requirements by entering into electricity swaps in advance of acquiring customers. Depending on several factors, including weather, customer's energy consumption may vary from the volumes purchased by SEM. SEM is able to invoice existing electricity customers for balancing charges when the amount of energy used is greater than or less than the amount of energy that SEM estimated. In certain circumstances, there can be balancing issues for which SEM is responsible when customer aggregation forecasts are not realized.

Supply and Third Party Credit

Superior Energy Management resources its fixed-price term natural gas sales commitments by entering into various physical natural gas and US dollar foreign exchange purchase contracts for similar terms and volumes to create an effective Canadian dollar fixed-price cost of supply. Superior Energy Management transacts with eight financial and physical natural gas counterparties. There can be no assurance that any of these counterparties will not default on any of its obligations to Superior Energy Management. However, the financial condition of each counterparty is evaluated and credit limits are established to minimize Superior Energy Management's exposure to this risk. There is also a risk that supply commitments and foreign exchange positions may become unmatched, however, this is monitored daily in compliance with Superior Energy Management's risk management policy.

Starting with 2008, the supply for new natural gas business in Canada billed through the utility will be transacted with Constellation, accordingly, failure by Constellation meet its obligations would have a material adverse effect on the results of SEM, however SEM monitors this credit risk on a regular basis.

For the electricity business, SEM has entered into a long term electricity supply agreement with Bruce Power L.P. ("BPLP"), Ontario's largest independent electricity generator. Under the terms of the agreement, BPLP has agreed to supply electricity ("Supply") to SEM in order to fix prices for residential and small commercial customers for terms up to five years. While SEM has the ability to select alternative suppliers under certain circumstances, failure by BPLP to meet its obligations would have a material adverse effect on the results of SEM, however SEM monitors this credit risk on a regular basis.

Dependence on Sales Agents

SEM must retain qualified sales agents in order to properly execute its business strategy. The continued growth of SEM is reliant on the services of agents to sign up new customers. There can be no assurance that competitive conditions will allow these agents to achieve these customer additions. Lack of success in the marketing programs of SEM would limit future growth of the cash flow.

Regulatory
SEM operates in the highly regulated natural gas industry in the provinces of Ontario and Quebec. Changes to existing legislation could impact this business's operations. As part of the current regulatory framework, local delivery companies are mandated to perform certain services on behalf of SEM, including invoicing, collection, assuming specific bad debt risks and storage and distribution of natural gas. Any elimination or change to these rules could have a significant adverse effect on the results of this business.

TRANSFER AGENT AND REGISTRAR

The Fund's transfer agent and registrar for all its publicly traded securities is Computershare Trust Company of Canada with offices in Calgary and Toronto.

EXPERTS

Deloitte & Touche LLP is the auditor of the Fund and Superior LP. Deloitte and Touche LLP is independent of the Fund and Superior LP within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

MATERIAL CONTRACTS

The Fund did not enter into any material contracts during the most recently completed financial year or prior thereto, which are still material and in effect, other than contracts entered into in the ordinary course of business.

DOCUMENTS INCORPORATED BY REFERENCE

Documents incorporated by reference in the Annual Information Form can be found on SEDAR under the Fund's profile at *www.sedar.com*.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Fund's securities, options to purchase securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions and audit committee information, where applicable, is contained in the Information Circular of the Fund dated March 10, 2008. Also, additional financial information is included in the Consolidated Financial Statements and MD&A of the Fund for the year ended December 31, 2007, which are included in the Fund's 2007 Annual Report as filed with the applicable Canadian regulatory authorities. These documents are available on SEDAR at *www.sedar.com* and may also be obtained without charge by writing to the Secretary of Superior LP at Suite 2820, 605 – 5 Avenue SW, Calgary, Alberta, T2P 3H5.