Annual Information Form

(for the fiscal year ended December 31, 2006)

March 6, 2007

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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 Statements

Certain information included or incorporated by reference herein is forward-looking. Forward-looking statements include, 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 the Superior Plus Income Fund (the "Fund") or Superior Plus LP ("Superior LP" or the "Partnership"). Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words. Forward-looking statements in this Annual Information Form ("AIF") include, but are not limited to, capital expenditures, business strategy and objectives. The Fund and Superior LP believe the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

In addition to other assumptions identified in this AIF, assumptions have been made regarding, among other things:

- *the ability of Superior LP to obtain products, raw materials, equipment, services and supplies in a timely manner to carry out its activities;*
- *the ability of Superior LP to market its products and services successfully to existing and new customers;*
- *the timing and costs of new facility construction and expansion and the ability to secure adequate product transportation;*
- *the timely receipt of required regulatory approvals;*
- *the ability of Superior LP to obtain financing on acceptable terms; and*
- *currency, exchange and interest rates.*

Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described herein. Such forward-looking statements necessarily involve 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 statements. 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 statements are made 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 statements to reflect new information, subsequent or otherwise.

Non-GAAP Measures

***Distributable cash flow** of the Fund available for distribution to Unitholders, is equal to cash generated from operations before natural gas customer acquisition costs and changes in net working capital, less amortization of natural gas customer acquisition costs and maintenance capital expenditures. Maintenance capital expenditures are equal to capital expenditures incurred to sustain the ongoing capacity of Superior LP's operations and are deducted from the calculation of distributable cash flow. Acquisitions and other capital expenditures incurred to expand the capacity of Superior LP's operations or to increase its profitability ("growth capital"), are excluded from the calculation of distributable cash flow. See Note 1 to the Consolidated Financial Statements for the calculation of distributable cash flow. 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, maintenance capital expenditures and growth capital are not defined performance measures 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 expenditures 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. The Fund's calculation of operating distributable cash flow may differ from similar calculations used by comparable entities.*

EBITDA*, which is also a non-GAAP measure, represents earnings before interest, taxes, depreciation and amortization recalculated on a 12 month trailing basis giving proforma effect to acquisitions and divestitures. Superior LP'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 – 5 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 8% convertible unsecured subordinated debentures due July 31, 2007 and convertible at $16.00 per trust unit ("Series 1 Debentures"), 8% convertible unsecured subordinated debentures due November 1, 2008 and convertible at $20.00 per trust unit ("Series 2 Debentures”), 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 distribution and retail marketing of propane and propane consuming equipment and related services; the production and sale of specialty chemicals and related technology; the distribution of specialty building products to the walls and ceilings construction industry and the retail marketing of natural gas and 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 is located at Suite 2820, 605 – 5 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 – 5 Avenue SW, Calgary, Alberta T2P 3H5.

The General Partner

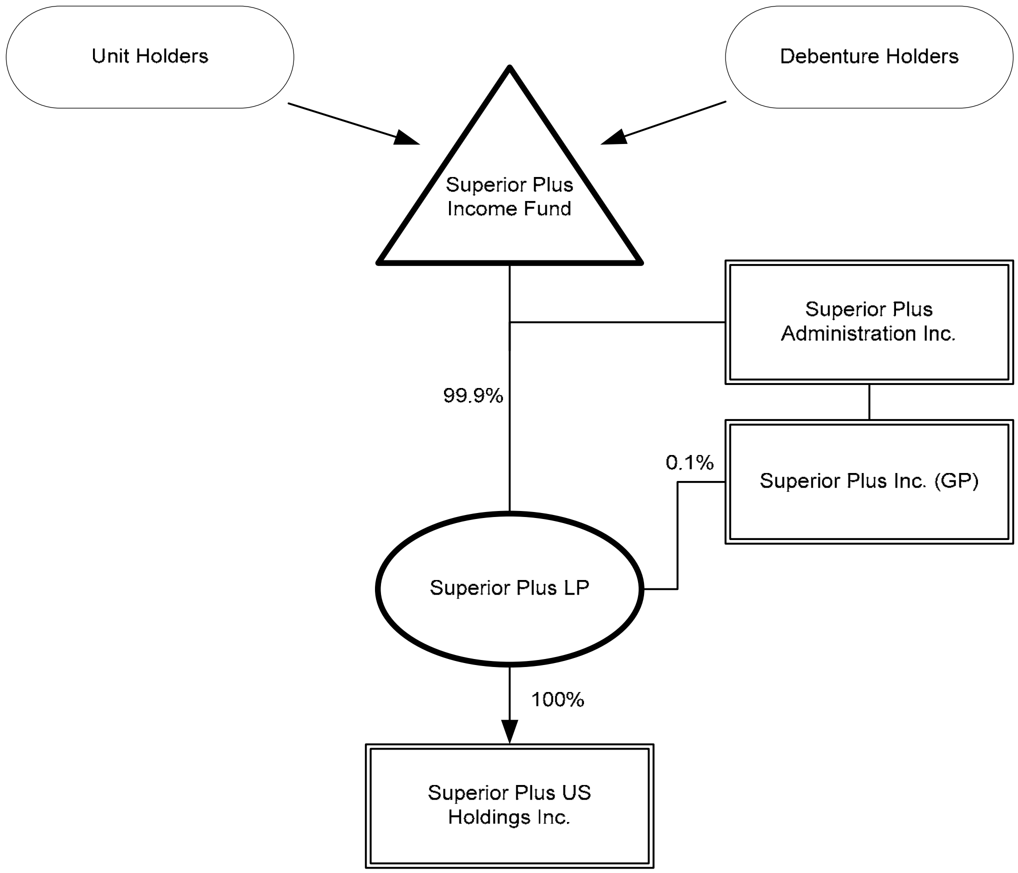
Superior Plus Inc., the general partner of Superior LP, was formed on September 30, 2006 pursuant to the amalgamation of Superior MFC Inc. and Superior General Partner Limited under the *Canada Business Corporations Act* which was completed as part of the Reorganization. The General Partner is a wholly-owned 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 retailing business operating under the trade name "Superior Propane";
- the specialty chemicals business, operating under the trade name "ERCO Worldwide";
- the specialty walls and ceilings construction products business, operating under the trade name “Winroc”; and
- the fixed-price natural gas retailing 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 6, 2007.



Note: [1] Superior Plus US Holdings Inc., a Delaware Corporation, holds wholly owned subsidiaries through which ERCO Worldwide and Winroc conduct operations in the United States.

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 June 11, 2004, Superior purchased all of the outstanding shares of The Winroc Corporation, Winroc Supplies Ltd., Allroc Building Products Ltd. and associated entities (“Winroc”) for an aggregate purchase price of $104.2 million, on a debt free basis, further diversifying its operations into the specialty walls and ceilings construction products industry. See “Superior LP’s Operations – Winroc”.

On August 30, 2004, ERCO Worldwide, announced that it had entered into an agreement with CMPC Celulosa S.A. ("CMPC"), a division of Empresas CMPC S.A., for ERCO Worldwide to supply CMPC with sodium chlorate by constructing and operating a manufacturing plant adjacent to the CMPC Pacifico mill, located in Region IX of Chile. In September 2006, ERCO completed construction of the 55,000 tonne sodium chlorate facility at a cost of $70.2 million.

On December 7, 2004, Winroc closed the acquisition of Interior Building Supplies Company Ltd. and associated entities located in Windsor, London and Cambridge, Ontario for approximately $12.2 million on a debt-free basis.

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 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 the Bruderheim sodium chlorate facility.

In addition, the board of directors appointed Grant Billing as Chairman and Chief Executive Officer replacing Geoff Mackey as President and Chief Executive Officer. As well, the Fund indicated that Mark Schweitzer, Executive Vice President and Chief Financial Officer would leave Superior on November 1, 2006 following a recruitment process for his successor. 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 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 December 21, 2006, the Finance Minister released the related draft legislation to implement the proposal.

On December 7, 2006, Superior Plus US Holdings Inc. ("Superior US Holdings"), 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 approximately Cdn $350 million pursuant to the terms of a stock purchase agreement dated November 8, 2006 (the "Stock Purchase Agreement") among Superior US Holdings, 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.

The Reorganization

The Reorganization, which was an internal reorganization of the subsidiaries of the Fund, was undertaken to restructure the manner in which the Fund holds 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

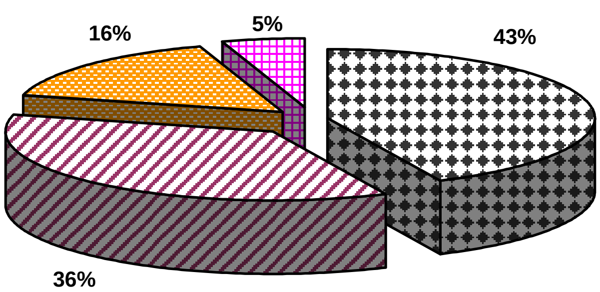
Superior LP strives to generate stable cash distributions and achieve long-term value-based growth driven from its existing Canadian based businesses.

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; the distribution of specialty building products to the walls and ceilings construction industry; and the retail marketing of natural gas.

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 10 employees including executive management, treasury, tax, financial reporting, 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, 2006 after giving effect to the sale of JW Aluminum as if it had been sold on January 1, 2006:



43% Superior Propane:
a propane retailer

36% ERCO Worldwide:
a provider of specialty chemicals and related technology

16% Winroc:
a distributor of specialty construction products to the walls and ceilings construction industry

5% Superior Energy Management:
a natural gas retailer

Geographically, for the year ended December 31, 2006, after giving effect to the sale of JW Aluminum as if it had been sold on January 1, 2006, consolidated revenues from customers were derived: 81% from Canada, 17% from United States, and 2% from other countries.

Superior Propane

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. Propane is colourless and odourless; therefore, 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

Superior Propane through its 1670 employees and 169 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 6 geographical market regions, which are managed by general managers. The general managers have direct responsibility for several market and satellite operations, customers, administration and the overall profitability of their geographic business units. Superior Propane's 44 larger market 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 market locations are supplemented by 125 satellite and storage yards.

These 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 market maintains a local presence through a market office. Teams are responsible for managing their local business and pursuing local opportunities. The market centres are supported by three call centres in Dartmouth, Nova Scotia, Laval, Quebec and Calgary, Alberta, which operate 24 hours a day, 7 days a week. The call centres are equipped to assist customers with general inquiries, fuel orders, billing inquiries, service requests and credit and collection issues. The market centres are further supported by services provided by Superior Propane's corporate office including, propane supply and transportation, invoicing, credit and collections, business systems and marketing. Superior Propane operates from and stores product at 128 owned and 79 locations that are leased from third parties under normal course operating leases. See Note 18(i) to the 2006 Annual Consolidated Financial Statements of the Fund.

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 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 746 million litres to over 80 customers resourced from approximately 50 suppliers.

Sales and Marketing

End-use Applications

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 to heating related applications and 50% are related to economic activity levels. However, approximately 75% 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 2006 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 15 to 20 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 four 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 29 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, 2007. Approximately 75% of Superior Propane's annual propane requirement is supplied by the following major suppliers, each of which supplies in excess of 10% 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.)
- Conoco Canada Limited
- Shell Canada Limited
- Keyera Energy Partnership

Twenty five other producer/suppliers supply the remaining 25% 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 126 million litres of combined underground propane storage capacity in Marysville, Michigan, Mt. Belvieu and Conway, Texas, 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. All storage lease agreements, including the agreement for Marysville, expire on March 31, 2007. Superior Propane intends to lease annual storage capacity at Fort Saskatchewan, Regina, Sarnia, Marysville, Conway and 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 50 propane suppliers as well as numerous short-term storage positions to service its wholesale customers in North America.

Propane Transportation

Primary Distribution

Primary transportation is the delivery of propane from product supply points to Superior Propane's market 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 35% of Superior's supply is transported by rail. Superior Propane leases 141 railcars to provide approximately 48% 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 market 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. During 2007 and 2008, Superior intends to implement an accelerated fleet renewal and bulk truck leasing program. Lease arrangements are available at attractive 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 will improve employee productivity 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 348 pressurized bulk delivery trucks that vary in load capacity from 13,000 litres to 32,000 litres, 9 refined fuel and lubricant bulk delivery trucks with load capacities of 10,000 to 25,000 litres and 97 cylinder trucks with boxes that vary in length from 12 feet to 26 feet. It also operates 41 tractors and 41 pressurized trailers, which have capacities ranging from 25,000 litres to 54,000 litres for secondary distribution use. Additionally, it operates 53 crane trucks and 289 service vehicles.

Employee and Labour Relations

As at December 31, 2006, Superior Propane had 1,474 regular and 196 part-time employees. Approximately 380 of its employees are unionized through provincial or regional certifications in British Columbia/Yukon, Manitoba, Ontario and Quebec. There are five 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)	**2006**	2005	2004	2003	2002
Maintenance capital	**5.2**	7.4	7.4	6.5	5.4
Proceeds on dispositions[(2)]	**(5.5)**	(4.6)	(1.8)	(3.0)	(2.4)
Maintenance capital expenditures, net	**(0.3)**	2.8	5.6	3.5	3.0
Other capital expenditures	**–**	27.5 [(1)]	4.2	0.7	1.6
Other capital proceeds	**–**	–	–	(1.0)	(6.7)
Other capital expenditures, net	**–**	27.5	4.2	(0.3)	(5.1)
	(0.3)	30.3	9.8	3.2	(2.1)

(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 1940's.

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 worldwide with an estimated production capacity of 25% and 17%, respectively. The sodium chlorate industry is consolidated with the four largest producers comprising approximately 87% and 79% of estimated North American and global 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, Eka Chemicals (30%), the Canexus Income Fund (16%) and the Kemira Group (15%). Only ERCO Worldwide and Eka Chemicals 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 in-depth forward view on market developments.

ERCO Worldwide is the third largest producer of potassium 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 ASHTA Chemicals Inc.

The five companies that account for approximately 72% of total North American chloralkali production are the Dow Chemical Company (28%), Occidental Chemical Corporation (19%), PPG Industries (12%), Olin Corporation (7%) 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 of 2005 and the completion of the sodium chlorate plant in Chile in 2006, reducing its dependency on the North American pulp and paper industry.

For the year ended December 31, 2006, global sodium chlorate, sodium chlorite and technology related sales represented 72% of ERCO's revenue. Chloralkali products in total represented 28% of revenue with potassium products representing 38% of total chloralkali revenue. Geographically, 38% of revenue is derived from customers in Canada, 51% from the United States and 11% from outside North America.

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

Product Line	% of 2006 Sales	Market Structure	Product Fundamentals	Technology Capability	Revenue Diversification	Operating Efficiency
Sodium Chlorate, related chlorine dioxide technology and Sodium Chlorite	72%	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 • 211 patents	• 66.0% Chemical Sales • 6.5% Technology • More than 50 customers • Largest customer represents 6% of total ERCO Sales	• 2nd lowest 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	17%	Leader in regional western Canada and U.S. Midwest markets	• Stable regional demand supported by robust North American pricing environment	• Premium membrane and mercury technology	• 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
Chloralkali: Potassium Products Potassium hydroxide Potassium Carbonate	11%	One of two producers in its market	Diversified end-use demand growing 1% to 2% per annum	• Premium quality product capability	• More than 60 customers • Largest customer is less than 3% of total ERCO Sales	• Better than average 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 45% and potash represents approximately 65% 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 completed its 55,000 MT facility in Chile and commenced production in September 2006, taking advantage of continued growth opportunities in lower pulp and paper cost producing regions of South America and Asia. 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.

ERCO is continuing to evaluate the economic feasibility of converting its Port Edwards, Wisconsin potassium chloralkali facility from a mercury based process to membrane technology at a cost currently estimated at US$85 - $100 million. The project would provide significant improvement in process efficiency and capacity. If the project does not proceed, environmental compliance expenditures of approximately $3.5 to $4.0 million are anticipated to meet government regulations which became effective December 17, 2006. ERCO has received a one year extension from government authorities to complete its project evaluation.

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	Sodium Chlorite	5,000	N/A	Rail
Valdosta, Georgia	Sodium chlorate	100,000[(1)]	Regulated [(1)] 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

Note:
[(1)] In July 2006, ERCO Worldwide had announced that it would either mothball its 100,000 MT Valdosta plant or operate it as swing production facility, pending the outcome of its negotiations to enter into a new electricity supply agreement effective January 1, 2007. Subsequently, ERCO has been granted access to electricity supply by Georgia Power pursuant to their industrial interruptible tariff, enabling the facility to continue to operate, depending on tariff rates. See "Supply Arrangements."

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.

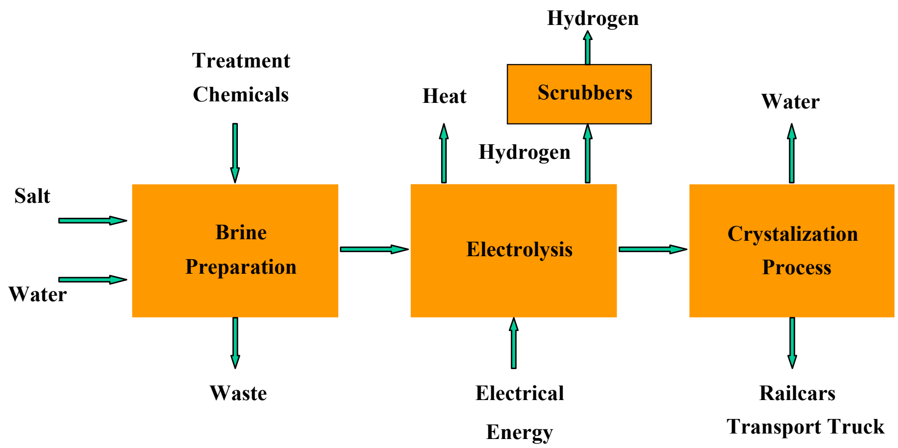
The market for sodium chlorate in North America is estimated at 1,800,000MT and the world market at 3,200,000MT. The demand for sodium chlorate in North America is mature and further growth is expected from developing economic regions of the world, particularly the Asia Pacific and South American regions, 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 relocate 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. over a long-term arrangement. ERCO continues to evaluate similar growth opportunities in these expanding markets.

In 2006, seven pulp mills closed in North America, resulting in an overall reduction in demand for sodium chlorate of approximately 74,000 MT, following the closure of three mills in 2005 which had reduced demand by 8,300 MT. In late 2006, softwood pulp prices increased and the U.S. dollar strengthened, improving the sodium chlorate demand profile.

Production Process*:* As electrical energy cost generally represents 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 separates into sodium and chlorine ions. 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. Six customers currently use this program, and four 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.

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, and approximately 94% of its caustic soda 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:

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

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 will install environmental control equipment to satisfy the federal MACT regulations no later than December 2007 and is evaluating a conversion to membrane cell technology at a future date.

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's 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 43% 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 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 plants in Grande Prairie, Alberta and Valdosta, Georgia 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 2006 Annual Consolidated Financial Statements of the Fund. 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 five 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.

Transportation

Approximately 72% of ERCO Worldwide's product transportation requirements are provided by railcar, 16% by transport truck and the remaining 12% by pipeline and ocean vessel. ERCO Worldwide utilizes third party carriers to transport all of its products. Rail transportation requirements are provided by 1,199 railcars, of which 177 are owned and 1022 are leased with staggered expiration terms through to 2012. 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, 2006, ERCO Worldwide had 474 fulltime employees of which approximately 122 were unionized. The three plants in Vancouver, Saskatoon and Buckingham are subject to collective bargaining agreements that expire between 2007 and 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 third time, which represents over 10 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 211 patents (172 patents granted and 39 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 $8.5 million annually representing an average 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)	**2006**	2005	2004	2003	2002[4]
Maintenance capital expenditures	**7.5**	8.1	7.6	6.4	12.7
Growth capital expenditures	**51.4**[1]	58.6[2]	5.7	130.1[3]	4.0
	58.9	66.7	13.3	136.5	16.6

Notes:

(1) 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.

(2) 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.

(3) 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.

(4) ERCO Worldwide was acquired effective December 19, 2002. 2002 results are unaudited and provided for comparison purposes.

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.

Products

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

Product category	% of 2006 sales
Drywall and components	52%
Insulation	18%
Steel framing	10%
Ceilings	8%
Stucco and plaster	6%
Tools, fasteners and miscellaneous	6%

Competitive Conditions

Winroc enjoys considerable geographic and customer diversification servicing over 7,300 customers from 39 distribution branches with 31 locations in Western Canada and Ontario, and 8 in the Western and Midwestern United States. Winroc's 10 largest customers represent approximately 15% of its annual distribution sales. Annual sales revenues for the North American walls and ceilings industry exceed $22 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, representing an estimated 50% to 60% of total industry revenues with the remainder sold through big-box home centres and independent lumber yards who service the builder/contractor market as well as the do-it-yourself market. The specialty distribution sector is highly fragmented with the top eight competitors representing an estimated 39% of overall North American industry revenues. 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. As an example, in January 2006, Winroc acquired the assets of Georgian Building Supplies Inc. in Collingwood, further penetrating the Ontario market.

Winroc's 39 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, pricing, administration and 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 market office with teams responsible for managing their local business and pursuing local opportunities.

Of Winroc's 39 operating locations, two are owned and the remaining 37 are leased from third parties under normal course operating leases. See Note 18(i) to the 2006 Annual Consolidated Financial Statements of the Fund.

Sales and Marketing

A detailed analysis of sales volumes and gross profit is provided in the Annual Management's Discussion and Analysis contained in the Fund's 2006 Annual Report.

Demand Profile

Demand for walls and ceilings building materials is affected by changes in general and local economic factors, including demographic trends, interest rates, employment levels, consumer confidence 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. Approximately 50% of Winroc's sales are estimated to be to the new commercial construction and commercial renovation segments and 50% of sales are estimated to be to new residential 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 approximately 52% of revenues typically generated during the second and third quarters. Geographically, 63% of revenue is derived from customers in Canada and 37% 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 111 different suppliers, of which the top ten provide 82% 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 operates a fleet of trucks and forklifts to transport the products it sells from its operating locations to customer job sites. Winroc employs full-time, part-time and seasonal drivers and stockers who deliver products. As at December 31, 2006, Winroc owned 268 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 operates 210 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, 2006, Winroc had 912 employees, of which 307 were salaried and 605 were hourly employees. Approximately 92 of its employees are unionized through collective bargaining agreements at four of its operating locations, with expiry dates ranging from March 2007 to May 2008. 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.

Trademarks, Trade Names and Service Marks

Winroc owns all the right, title and interest in the "Winroc", “Allroc”, “Interior Building 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)	**2006**	2005	2004[1]	2003[1]	2002[1]
Maintenance capital	**6.7**	5.7	7.1	6.1	4.9
Proceeds on dispositions	**(0.1)**	(0.1)	(0.2)	(0.3)	(0.2)
Maintenance capital expenditures, net	**6.6**	5.6	6.9	5.8	4.7
Other capital expenditures	**1.6**	31.7[3]	12.2[2]	–	–
Other capital proceeds	**–**	0.2	–	(1.1)	–
Other capital expenditures, net	**1.6**	31.9	12.2	(1.1)	–
	8.2	37.5	19.1	4.7	4.7

Notes:
(1) Winroc was acquired effective June 11, 2004. Prior years results are unaudited and provided for comparison purposes.
(2) Acquisition of IBS on December 7, 2004.
(3) Acquisition of Leon’s Insulation and four Greenfield branch expansions.

Superior Energy Management ("SEM"), headquartered in Mississauga, Ontario, began operations in June of 2002. SEM provides natural gas retailing services under fixed-price, term contracts, predominantly to residential and to mid-sized commercial and industrial customers in Ontario. SEM also services the commercial and light industrial market in the Gaz Metropolitain franchise region in Quebec.

Competitive Conditions

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 nine active market suppliers, while commercial and industrial consumers have approximately 13 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, 2006, the Quebec residential market was not open for natural gas retailing.

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.

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 is currently looking at opportunities to expand its footprint into the B.C. natural gas market as well as expanding its product line by entering the residential and small commercial electricity market in Ontario. The B.C. residential natural gas market will become deregulated in November 2007 and is estimated to have 800,000 customers. 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. These markets, should SEM determine to expand into them, represent significant growth opportunities for SEM.

Sales and Marketing

A detailed analysis of sales volumes and gross profit is provided in the Management's Discussion and Analysis contained in the Fund's 2006 Annual Report.

For the year-ended December 31, 2006, SEM supplied approximately 40 million Gigajoules of natural gas to approximately 85,900 residential and 6,700 commercial flowing customers under term, fixed-price contracts, the largest of which represented approximately 3% of SEM's 2006 gross profit. SEM markets its gas supply service to consumers throughout Ontario and Quebec through an internal sales force and through independent sales agencies, primarily on a door-to-door basis. Customer contracts are registered with and administered by the LDC and, as a result, are protected from competitive sales initiatives for the term of the customer contract. The gas supply contracts have terms typically ranging from one to five years and are at a fixed price. At December 31, 2006, the weighted average remaining customer contract life was 42 months.

Supply and Transportation

SEM currently has 15 financial and physical natural gas suppliers and contracts for gas for fixed term and price to match contractual customer requirements. SEM uses each of these suppliers to achieve diversification of its gas portfolio and to manage its volume and counter party exposure. SEM's largest supplier represented 32% of its supply commitments at December 31, 2006. SEM's supply commitments for the next five years as at December 31, 2006, are detailed in Note 18(ii) of the Fund's 2006 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. SEM continues to work to expand its natural gas supply counterparties.

Although customers purchase their gas supply through SEM, LDC's such as Union Energy, Enbridge Consumers 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, 2006, SEM had 31 full time and 2 part-time employees. Approximately 11 independent contract sales agencies were engaged at December 31, 2006 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 Batiment and are required to maintain environmental and safety standards.

The Ontario Energy Board has approved new regulations governing some processes involving gas marketers like SEM. The new regulations are known as GDAR (Gas Distribution Access Rules) and will become effective June 2007. Included in the new rules will be a provision that will allow utilities to enroll customers with a gas marketer even if they are already on contract with a different gas marketer. However, the utility will be required to advise the existing marketer of this "contest". The SEM gas marketers will then have 30 days to resolve the contest. SEM has dedicated resources during 2006 and 2007 to ensure that its processes are reviewed and fully compliant with the new rules.

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 since the commencement of SEM's operations in October 2002, see "Selected Financial Information – Superior Energy Management".

SELECTED HISTORICAL INFORMATION

SUPERIOR PROPANE

(millions of dollars except litres of propane and per litre amounts)	Year Ended December 31 **2006**	2005	2004	2003	2002
Litres of propane sold (millions)	**1,386**	1,468	1,546	1,625	1,688
Propane sales margin (cents per litre)	**15.1**	15.8	15.7	15.5	14.8
Revenues	**985.4**	856.2	720.2	727.1	619.0
Cost of products sold	**712.5**	571.8	433.5	436.5	328.8
Gross profit [1]	**272.9**	284.4	286.7	290.6	290.2
Cash operating, administrative and tax costs	**182.6**	187.4	175.1	178.4	174.5
Cash generated from operations before changes in net working capital	**90.3**	97.0	111.6	112.2	115.7

(1) Includes gross profit from other service revenues.

ERCO WORLDWIDE

(millions of dollars except thousands of metric tonnes ("MT") and per MT amounts)	Year Ended December 31 **2006**	2005	2004	2003	2002 [1]
Total chemical sales (MT)[2]	**756**	742	649	574	544
Average chemical selling price (dollars per MT)	**540**	550	571	573	611
Revenues	**437.2**	431.6	396.0	356.3	361.9
Cost of products sold	**233.1**	224.7	202.8	183.3	181.4
Gross profit	**204.1**	206.9	193.2	173.0	180.5
Cash operating, administrative and tax costs	**120.9**	105.7	94.3	89.2	86.6
Cash generated from operations before changes in net working capital	**83.2**	101.2	98.9	83.8	94.0

(1) ERCO Worldwide was acquired effective December 19, 2002. 2002 results are unaudited and provided for comparison purposes.

(2) Hydrochloric acid volumes have been restated to reflect a dry basis of measurement as compared to a wet basis to reflect industry practice.

WINROC

(millions of dollars)	Year Ended December 31 **2006**	2005	2004 [1]	2003 [1]	2002 [1]
Revenues	**518.7**	486.6	384.3	310.9	282.2
Cost of products sold	**386.5**	368.8	300.0	245.6	220.6
Gross profit	**132.2**	117.8	84.3	65.3	61.6
Cash operating, administrative and tax costs	**91.0**	82.0	56.4	47.4	44.6
Cash generated from operations before changes in net working capital	**41.2**	35.8	27.9	17.9	17.0

(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)	Year Ended December 31 **2006**	2005	2004	2003	2002 [1]
Natural gas sold (millions of GJs)	**40**	37	28	21	2
Natural gas sales margin (cents per GJ)	**54.3**	39.2	47.7	38.8	22.5
Revenues	**325.6**	288.4	211.3	152.2	11.4
Cost of products sold	**303.9**	273.9	197.9	144.1	10.9
Gross profit	**21.7**	14.5	13.4	8.1	0.5
Cash operating, administrative and selling costs	**11.4**	9.2	5.7	3.6	0.6
Cash generated from operations before changes in net working capital	**10.3**	5.3	7.7	4.5	(0.1)

(1) Superior Energy Management commenced business operations in June 2002. Accordingly, results are for the period from June 2002 until December, 2002.

CONSOLIDATED FINANCIALS

(millions of dollars except average number of trust units and per trust unit amounts)	Year Ended December 31 **2006**	2005	2004	2003	2002
Revenues	**2,264.3**	2,059.2[1]	1,552.8	1,234.3	640.9
Gross profit	**630.9**	623.6[1]	542.8	471.7	295.8
Operating distributable cash flow[2]	**250.1**	231.4	219.4	190.6	115.7
Distributable cash flow (before strategic plan costs)	**180.4**	187.0	184.4	146.5	90.7
Distributable cash flow (after strategic plan costs)	**160.7**	187.0	184.4	146.5	90.7
Per trust unit (before strategic plan costs)	**$2.11**	$2.35	$2.54	$2.47	$1.93
Per trust unit (after strategic plan costs)	**$1.88**	$2.35	$2.54	$2.47	$1.93
Average number of trust units outstanding (millions)	**85.5**	79.7	72.7	59.4	46.9
Growth capital	**53.0**	509.5[1]	126.3	129.8	579.4
Total assets	**1,536.9**	2,373.6	1,579.7	1,475.3[4]	1,425.8[4]
Current and long-term debt[3]	**441.7**	744.7	546.2	417.8	512.0

(1) Adjusted for discontinued operations.
(2) Before strategic plan costs.
(3) Includes accounts receivable securitization program.
(4) Restated for the impact of the Superior Propane defined pension asset. See Note 12 to the Fund's 2006 Annual Consolidated Financial Statements.

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.

<u>Trust Units and Declaration of Trust</u>

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 85.7 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 four separate series of Debentures issued pursuant to a trust indenture between the Fund and Computershare, as trustee (the "Debenture Trustee") dated March 7, 2001, which was amended by a supplemental indenture dated December 17, 2002 (collectively, the "First Indenture") and pursuant to a trust indenture between the Fund and the Debenture Trustee dated June 14, 2005 which was amended by a supplemental indenture dated October 19, 2005 (collectively, the "Second Indenture"). The Series 1 Debentures and Series 2 Debentures were issued pursuant to the First Indenture and the 5.75% Debentures and the 5.85% Debentures were issued pursuant to the Second Indenture. The First Indenture and the Second Indenture are collectively referred to herein as the "Indentures". The Fund can issue additional Debentures under the Indentures from time to time.

Series 1 Debentures

Currently there are approximately $8.1 million aggregate principal amount of Series 1 Debentures issued and outstanding. The Series 1 Debentures are fully registered, issuable in denominations of $1,000 principal amount and bear interest at a rate of 8% per annum, which is payable semi-annually in arrears on January 31 and July 31 in each year. The Series 1 Debentures mature on July 31, 2007. The Series 1 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 July 31, 2007 and the business day immediately prior to a date specified by the Fund for redemption of the Series 1 Debentures at a conversion price of $16.00 per trust unit.

After February 1, 2006, the Series 1 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.

Series 2 Debentures

Currently there are approximately $59.2 million aggregate principal amount of Series 2 Debentures issued and outstanding. The Series 2 Debentures are issuable in denominations of $1,000 principal amount and bear interest at a rate of 8% per annum, which is payable semi-annually in arrears on May 1 and November 1 in each year. The Series 2 Debentures mature on November 1, 2008. The Series 2

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 November 1, 2008 and the business day immediately prior to a date specified by the Fund for redemption of the Series 2 Debentures at a conversion price of $20.00 per trust unit.

The Series 2 Debentures are redeemable prior to February 1, 2007 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, 2007, the Series 2 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.

5.75% 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 Debentures has 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 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 Indentures provide that an event of default ("Event of Default") in respect of Debentures issued under a particular 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 Indentures provide that if an offer is made for Debentures issued under a particular 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 Indentures may be modified in accordance with the terms of the Indentures. For that purpose, among others, the Indentures contain certain provisions which make binding on all Debentureholders resolutions passed at meetings of holders of Debentures issued under a particular Indenture by the holders of not less than 66 2/3% of the principal amount of the Debentures issued under such 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 that 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 that Indenture.

The First Indenture provides that if the Debenture Trustee becomes aware that the beneficial owners of 49% of the trust units then outstanding are or may be non-residents, it can make a public announcement thereof and shall not register a transfer of Debentures issued under the First Indenture to a person unless the person provides a declaration that they are not a non-resident. If the Debenture Trustee determines that a majority of the trust units are held by non-residents, the Debenture Trustee may send a notice to non-resident Debentureholders chosen in inverse order to the order of acquisition or registration or in such other manner the Debenture Trustee may consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not less than 60 days and if such Debentureholders do not comply within the specified time period, the Debenture Trustee may sell such Debentures and in the interim shall suspend the rights attached to such Debentures.

The Second Indenture provides that if the Administrator becomes aware that the beneficial owners of 49% of the Debentures issued under that 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 Second 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 Second 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) \ under review\negative	BBB – \ negative outlook
Senior unsecured credit rating	N/A	BB+ \ negative

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) \ under review\negative. 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.

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 approximately 85-90% 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.

Superior LP's senior secured debt covenants include a restriction which would prohibit all distributions to the Fund if Superior LP's senior indebtedness (including amounts raised from the accounts receivable sales program) exceeds three times EBITDA for the last twelve month period as adjusted for the pro forma effect of acquisitions and divestitures. As at December 31, 2006, this ratio when calculated in accordance with Superior’s senior banking agreements was 2.1 to 1.0.

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
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	
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	
Dec 31, 2004	Jan 14, 2005	0.20	**2004: $2.465**
Nov 30, 2004	Dec 15, 2004	0.20	
Oct 31, 2004	Nov 15, 2004	0.20	
Sep 30, 2004	Oct 15, 2004	0.20	
Aug 31, 2004	Sep 15, 2004	0.20	
Jul 31, 2004	Aug 13, 2004	0.19	
Jun 30, 2004	Jul 15, 2004	0.185	
May 31, 2004	Jun 15, 2004	0.185	
Apr 30, 2004	May 14, 2004	0.185	
Mar 31, 2004	Apr 15, 2004	0.37	
Feb 29, 2004	Mar 15, 2004	0.175	
Jan 31, 2004	Feb 13, 2004	0.175	

The Distribution Reinvestment Plan ("DRIP")

The DRIP provides participating Unitholders with the ability to reinvest their distributions and to invest additional funds on a monthly basis without payment of brokerage commissions or service charges. Units acquired under the DRIP through the reinvestment of distributions are issued at a 5% discount to an average market price, so long as the Units are issued from treasury. Eligible participants can also elect to make optional Unit purchases under the DRIP at the average market price. Only Unitholders who are resident in Canada or in jurisdictions that permit participation may participate in the DRIP. The average market price applicable under the DRIP is the arithmetic average of the daily average trading prices of the Units on the TSX for the five trading days ending immediately prior to the relevant distribution payment date.

Unitholders are not required to participate in the DRIP and participation in the DRIP must be initiated by an Unitholder. A Unitholder who does not elect to participate will continue to receive cash distributions from the Fund in the normal manner.

Taxation

The Fund is a unit trust and a mutual fund trust for income tax purposes if the proposals made by the Federal Minister of Finance on October 31, 2006 (the "October 31 Proposals") as reflected in the draft legislation released on December 31, 2006 become law, the Fund is only taxable on any taxable income not allocated to Unitholders. Pursuant to the October 31 Proposals, commencing January 1, 2011 (provided the Fund only experiences "normal growth" and no "undue expansion" before then) certain distributions from the Fund which would 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 October 31, 2006 Proposal 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.

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	8% Debentures, Series 1
SPF.db.a	8% Debentures, Series 2
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, 2006:

Trust units : SPF.un	High	Low	Volume
January	24.40	23.20	4,775,107
February	23.88	20.79	7,274,442
March	21.98	17.11	12,816,726
April	17.65	10.75	22,982,768
May	12.30	9.85	23,792,570
June	12.20	10.65	6,190,660
July	11.45	10.60	7,535,146
August	11.70	10.66	6,025,645
September	12.98	11.75	6,739,802
October	13.95	12.35	5,591,651
November	11.92	9.26	10,971,875
December	11.09	10.65	6,037,494
2006	**24.40**	**9.26**	**120,733,886**

Debentures, Series 1:

SPF.db	High	Low	Volume
January	150.00	145.00	2,800
February	135.01	133.00	1,360
March	149.00	109.00	2,300
April	111.50	99.00	9,410
May	110.00	100.01	3,050
June	108.00	101.50	1,770
July	104.90	102.20	1,170
August	103.99	102.00	570
September	112.50	102.00	620
October	107.50	102.01	530
November	104.00	100.01	1,390
December	101.25	99.81	1,040
2006	**150.00**	**99.00**	**26,010**

Debentures, Series 2:

SPF.db.a	High	Low	Volume
January	120.00	114.75	6,190
February	118.00	109.50	11,480
March	115.34	106.10	22,880
April	108.00	99.00	70,250
May	103.00	100.25	44,530
June	105.00	101.75	7,520
July	105.00	103.00	4,920
August	106.35	102.75	5,540
September	106.34	103.06	1,990
October	104.76	101.31	10,310
November	104.50	100.21	12,064
December	104.99	101.50	6,140
2006	**120.00**	**99.00**	**203,814**

5.75% Debentures:

SPF.db.b	High	Low	Volume
January	104.50	101.00	17,480
February	104.75	100.00	17,640
March	103.75	97.00	56,950
April	100.00	79.00	93,110
May	92.00	82.02	86,810
June	94.70	88.00	28,970
July	97.00	87.01	25,860
August	97.00	90.00	28,250
September	98.00	94.70	38,570
October	98.00	94.50	23,400
November	96.00	87.52	43,300
December	94.25	89.00	21,460
2006	**104.75**	**79.00**	**481,800**

5.85% Debentures: **SPF.db.c**	**High**	**Low**	**Volume**
January	104.00	100.00	17,740
February	102.90	100.05	21,020
March	102.50	97.75	29,540
April	99.99	75.50	26,310
May	89.98	80.00	30,500
June	89.00	85.00	11,310
July	90.00	85.26	14,860
August	92.00	88.75	7,680
September	97.00	90.50	9,540
October	97.00	92.75	8,580
November	93.25	87.00	18,410
December	90.99	85.25	81,080
2006	**104.00**	**75.50**	**276,570**

ESCROWED SECURITIES

The number of securities of each class of the Fund held, to the best of the Fund's knowledge, in escrow, and the percentage that number represents of the outstanding securities of that class, are as follows:

Designation of Class	**Number of Securities Held in Escrow**	**Percentage of Class**
Trust Units	130,067[1]	0.15%

Note:

(1) The trust units in escrow were distributed to senior executives of Superior pursuant to the Internalization on May 8, 2003. The escrow agent under the related escrow agreements is CIBC Mellon Trust Company of Canada. The escrow agreements are for a term of four years and provide that the trust units will be released from escrow at a rate of 25% of the original amount per year on the anniversary date of the Internalization.

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 LP 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.

As at March 6, 2007, the directors and officers as a group owned, directly or indirectly 1,815,489 trust units of the Fund, representing approximately 2.1% 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 6, 2007, 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
Grant D. Billing Alberta, Canada	1994	1,559,767 (4)	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 DeWinton, Alberta	March 6, 2007	–	From 2001 until 2006, Mr. Findlay was President of Provident Energy Ltd. (a diversified energy business).
Norman R. Gish(3) Alberta, Canada	2003 (5)	26,078(4)	Corporate Director.
Peter A.W. Green (1)(2)(6) Ontario, Canada	1996	8,684	Chairman of The Frog Hollow Group Inc. (international business advisors) and Chairman of Patheon Inc. (global pharmaceutical company).
Allan G. Lennox(3)(11) Alberta, Canada	1996	18,736	Principal of AG Lennox & Associates (human resource consulting firm).
James S.A. MacDonald (2)(3) Ontario, Canada	2000 (7) (also, May 28/98 - Dec 11/98)	132,278 (8)	Chairman and Managing Partner of Enterprise Capital Management Inc. ("ECMI")(investment management company).
Walentin (Val) Mirosh Calgary, Alberta	March 6, 2007	–	Vice President, NOVA Chemicals; President, Olefins and Feedstock. From 2001 to 2003, he was a Partner, Macleod Dixon LLP (law firm).
David P. Smith (1) Ontario, Canada	1998	29,502 (8)	Managing Partner of ECMI.
Peter Valentine (1) Alberta, Canada	2004	1,600	Senior Advisor to the CEO, Calgary Health Region (healthcare institution)

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 $93,000 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 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 Propane Inc. ("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 463,334 options to acquire trust units.

(11) Mr. Lennox will not be standing for re-election at the May 8, 2007 Annual Meeting of the Fund.

Officers of the 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 1999 to 2003, Executive Vice-President and Chief Financial Officer of Ontario Power Generation.
Craig S. Flint Calgary, Canada	Vice-President, Business Process and Compliance since November of 2006 and prior thereto various senior financial positions with Superior and divisions.
Leanne E. Likness Calgary, Canada	Corporate Secretary since May 6, 2007 and Assistant Corporate Secretary since September 2006. From 2004 to November 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 terms of reference, composition, education and experience of its members and the external auditor service fees are disclosed in the Information Circular of the Fund dated March 6, 2007, 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 the 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 cash received 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.

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.

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 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 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 December 21, 2006 the Minister of Finance (Canada) released draft legislation to implement the October 31 Proposals relating to the taxation of certain distributions from certain "specified investment flow-through" ("SIFT") trusts and SIFT partnerships. The October 31 Proposals would impose a tax at the entity level on distributions of certain income from SIFT trusts (which could include the Fund) and partnerships at a rate of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the Unitholder. Existing SIFT trusts will have a four-year transition period, and subject to the qualifications below, will not be subject to the October 31 Proposals until January 1, 2011. Assuming the October 31 Proposals are enacted in their current form, the implementation of such legislation would be expected to result in adverse tax consequences to the Fund and certain Unitholders (including most particularly Unitholders that are tax exempt trusts (such as registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans and non-residents of Canada) and may impact cash distributions from the Fund.

Pursuant to the October 31 Proposals, 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 October 31, 2006 Proposal 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 October 31 Proposals may reduce the value of the 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 October 31 Proposals 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 October 31 Proposals are expected to make the 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 October 31 Proposals.

The proposals 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 October 31 Proposals could be realized by the Fund sooner than January 1, 2011. On December 15, 2006, the Department of Finance (Canada) issued guidelines on the meaning of "normal growth" in this context. Specifically, the Department of Finance stated 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 Department of Finance's guidelines 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 2008, 2009 and 2010 is an additional approximately $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 when the October 31 Proposals will be enacted by Parliament, if at all, or whether the October 31 Proposals will be enacted in the form currently proposed.

Credit Facilities

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.

Restrictions on Potential Growth

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 the Superior LP and, over time, have a material adverse effect on the amount of cash available for distribution to Unitholders.

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.

Unfunded Liabilities

Superior LP will have a number of unfunded liabilities, including pension, other post retirement benefit and asset retirement obligations. Funding of these obligations in the future may have a significant negative impact on cash available for distribution to Unitholders.

Additional Financing

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 under its term credit facilities may be impaired.

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 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.

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.

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, some 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 those forward-looking statements could cause those results to differ materially from those expressed in the forward-looking statements and information.

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 divisions or that such levels of insurance will be available in the future at economical prices.

Superior Propane

Propane Supply and Pricing

Propane is a commodity and for reasons of supply and demand the cost to Superior Propane of propane from suppliers can fluctuate significantly. Changes in propane supply costs are substantially passed through to customers but the pass through may lag in time. This results in both positive and negative fluctuations in margins.

Competition From Other Energy Sources

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 15% to 20% 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.

Volume Variability Due to Weather Conditions and Economic Demand

Historically, overall demand for propane has been stable. However, weather conditions and general economic conditions do affect propane market volumes. Weather influences the demand for propane primarily for heating uses. A warmer than usual winter could negatively impact Superior Propane's profitability. In addition, the overall level of economic activity has an effect on propane demand. During periods of reduced economic activity, demand for propane from industrial or commercial end users declines which can negatively impact Superior Propane’s profitability.

In the first quarter of 2006, temperatures across Canada were, on average, 9% warmer than the comparable prior year period and 10% warmer than the comparable five year average period which had a significant adverse impact on sales volumes in the first quarter of 2006.

Operational Matters

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.

Retail Propane Industry
In addition to competition from other energy sources, Superior Propane competes with approximately 200 other retail marketers. The industry is mature, with limited growth potential. Superior Propane's ability to remain an industry leader depends on its ability to provide reliable service at competitive selling prices.

Employee Relations
Certain of Superior Propane's operations are unionized. Strikes or lockouts could restrict Superior Propane's ability to service its customers in the affected regions thereby negatively affecting the results of this division.

ERCO Worldwide

Electricity Supply
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 division 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.

Environment
ERCO Worldwide's operations involve the handling, production, transportation, treatment and disposal of substances classified as hazardous or toxic and which are regulated by federal, provincial and international environmental legislation, protocols and treaties that restrict or prohibit the release of substances into the environment in accumulations that may cause an adverse effect on the environment, human health or property. In addition, provincial legislation requires that when facility sites are decommissioned, they must be reclaimed to the satisfaction of landowners and regulatory authorities. Facility operations that do not meet regulatory standards or operate contrary to legislative provisions may result in the imposition of fines, penalties and suspension of operations. Some environmental permits required for operations of ERCO Worldwide are subject to periodic renewal and can be revoked or modified for cause or when new or revised environmental requirements are implemented.

An environmental risk associated with ERCO Worldwide's chemicals production facilities relates to permitted emissions limits. If in the future it is determined that emissions do not meet required standards, regulatory requirements may be imposed to reduce emissions to acceptable levels which may require capital investment.

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.

Competition

ERCO Worldwide, one of four global sodium chlorate producers, competes with three other large chemical producers on a worldwide basis. This division 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. This competition may have an adverse effect on the results of this division.

Foreign Currency Exchange

Some of the revenue of ERCO Worldwide is generated from contracts denominated in U.S. dollars and the majority of ERCO Worldwide's expenses and capital costs are incurred in Canadian dollars. Fluctuations in exchange rates between the U.S. and Canadian dollar will therefore give rise to foreign currency exposure and may have a negative impact on ERCO Worldwide. ERCO Worldwide manages such risk in part by entering into hedge contracts with external third parties and internally with other divisions.

Employee Relations

Approximately 25% of ERCO Worldwide's employees are unionized. Strikes or lockouts could restrict ERCO Worldwide's ability to produce sodium chlorate and its other products thereby negatively affecting the results of the division.

Winroc

Competition

The speciality 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. Competition may have an adverse effect on the results of this division.

Economic Trends

Demand for walls and ceilings buildings 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. Winroc's sales are moderately seasonal, consistent with new construction and renovation market activity with approximately 52% of revenues generated in the second and third quarters. Winroc has minimal control over the wholesale product cost in its industry but changes in product costs are substantially passed through to customers but the pass through lags, in time, the change in supply cost and therefore may not reflect the full change. This results in both positive and negative fluctuations in margins.

Health and Safety
Distribution of walls and ceilings construction products is a physically challenging job. As a result, Winroc is exposed to risks associated with workplace injuries and accidents. Winroc manages this risk by attempting to maintain safe working practices through proper procedures and direction.

Employee Relations
Approximately 10% of Winroc's employees are unionized. Strikes or lockouts could affect Winroc's ability to service its customers in the affected regions thereby negatively affecting the results of the division.

Superior Energy Management

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 15 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.

Balancing
Superior Energy Management 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 which must be reconciled and settled at least annually and may require Superior Energy Management to purchase or sell natural gas at market prices which may have an adverse impact on the results of this division. 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.

Regulatory
Superior Energy Management operates in the highly regulated natural gas industry in the provinces of Ontario and Quebec. Changes to existing legislation could impact this division's operations. As part of the current regulatory framework, local delivery companies are mandated to perform certain services on behalf of Superior Energy Management, 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 division.

Competition
The gas distribution business is competitive and many of Superior Energy Management's competitors have greater financial and other resources than Superior Energy Management. Such competition may have an adverse effect on the results of this division.

Additional Business Risks

In addition, the business risks contained in the Fund’s most recent Management’s Discussion and Analysis are incorporated by reference herein.

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 independent auditor of the Fund and Superior LP.

MATERIAL CONTRACTS

The material contracts of the Fund that were entered into during the most recently completed financial year or contracts entered into prior thereto which are still material and in effect, other than contracts entered into in the ordinary course of business, are the Stock Purchase Agreement among Superior US Holdings, Palmetto Holdings Inc. (an entity affiliate with Wellspring Capital Management LLC) and JW Aluminum Holding Company; and the Declaration of Trust, the Administration Agreement and the Partnership Agreement. For a summary of the terms of these contracts, please refer to the information under the headings “Three Year History”, "Summary of the Amended and Restated Declaration of Trust", "Amended Administration Agreement" and "SP Partnership Agreement" pages 29 to 43 of the Fund's Management Information Circular dated August 24, 2006 provided in connection with the Reorganization, which information is specifically incorporated by reference herein.

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 6, 2007. Also, additional financial information is included in the Consolidated Financial Statements and MD&A of the Fund for the year ended December 31, 2006, which are included in the Fund’s 2006 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.

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Income Fund

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